

Officials Say U.S. Moves Closer To Tough Stand on Terrorists

By Bernard Gwertzman
New York Times Service

WASHINGTON — White House and State Department officials say that despite some continuing disputes, the administration is moving closer to the tough policy toward terrorists advocated by Secretary of State George P. Shultz.

They said Saturday that this could include the swift use of military force, even if it resulted in some civilian deaths.

But the officials acknowledged that although there was now an effort to produce a coherent policy, as yet there was no certainty that in specific terrorist incidents, the Defense Department or the Central Intelligence Agency would be ready to take the kind of pre-emptive or retaliatory military strikes called for by Mr. Shultz in his speech on terrorism in New York on Thursday.

There was considerable embarrassment within the administration over the heavy publicity Friday, with less than two weeks to go in the election campaign, to the seeming contradictions among many senior officials over how to deal with terrorism.

"On the one hand, the contradictions are real," a State Department official said, "because we haven't ironed out every detail. But on the other hand, they're not, because we are going to move against the terrorists. There will be a war on terrorism. You just watch and see."

They said that part of the reason for the confusion Friday was that President Ronald Reagan and Vice President George Bush were on the campaign trail.

"At the end of the day," a senior

State Department official contended, "there was no distance between George Shultz and Ronald Reagan on terrorism."

Mr. Shultz's aides said that the inspiration for the secretary's speech was his very strong feeling that the administration, despite its many warnings to terrorists, had not been willing to take the kind of decisive actions that would deter or punish terrorists.

Mr. Shultz has argued privately, officials said, that the United States should be willing, as Israel is, to respond, as he said Thursday, "on a moment's notice," and to strike even though "we may never have the kind of evidence that can stand up in an American court of law."

Aides to Mr. Shultz said that he was particularly critical of the caution shown by Caspar W. Weinberger, the secretary of defense, and by the covert side of the Central Intelligence Agency, both of which have stressed within administration circles the dangers that retaliation would present to American foreign and domestic policy.

Mr. Shultz's differences with Mr. Weinberger go back to the dispute over the presence of American marines in Lebanon, with Mr. Shultz opposing the withdrawal until the very end, and Mr. Weinberger arguing from the start that they should not have been there.

An official close to Mr. Weinberger said Saturday, "It is true that the Pentagon is more aware of the downside of military operations and therefore is cautious about undertaking operations where the results are unpredictable as in pre-emptive strikes against terrorists."

According to White House and

State Department officials, Mr. Shultz's principal ally within the administration is Robert C. McFarlane, the White House national security adviser. White House and State Department officials said that Mr. Reagan, despite some comments to the contrary, basically agreed with the Shultz call for a firmer and less equivocal approach.

Mr. Shultz had said that it was important for the public to understand beforehand that there is potential for loss of life of some of our fighting men and the loss of life of some innocent people when military force is used against terrorists.

Mr. Reagan, however, in his most recent remarks on terrorism, in his debate Oct. 21 with Walter F. Mondale, had spoken with much more caution than Mr. Shultz about injuring or killing civilians.

While campaigning in Ohio on Friday, Mr. Bush was asked about Mr. Shultz's statement that some civilians might be killed. The vice president responded by saying, "I don't agree with that."

He added, "I think you have got to pinpoint the source of that attack."

Mondale Is Critical
The Washington Post reported from San Francisco:

Mr. Mondale said Sunday that the Reagan administration has "emboldened" terrorists with inconsistent statements about how it would respond to terrorism.

At a news conference in the middle of a two-day California swing, Mr. Mondale said, "The worst thing you can do is talk in the abstract about what you would do."



A man placed flowers Sunday next to a photograph of the Reverend Jerzy Popieluszko at the St. Stanislaw Kostka Roman Catholic Church in Warsaw, Father Popieluszko's parish.

Polish Official Says 3 Officers Held, Possibly Killed Priest

By Robert Gillette
New York Times Service

WARSAW — Three officers in Poland's Interior Ministry, the government's police and security agency, have admitted the kidnapping of a popular Roman Catholic priest, and one claimed to have killed the cleric, Interior Minister Czeslaw Kiszczak announced.

General Kiszczak said investigators still did not know the fate of the Reverend Jerzy Popieluszko, but added, "One of the justified hypotheses of the investigation assumes that the kidnapped is dead."

The interior minister, appearing Saturday on state radio and television, said that one suspect had confessed to killing Father Popieluszko but that a second claimed the priest had been released near the northern city of Torun. General Kiszczak said the three men would be charged with kidnapping and faced a possible death sentence.

A former Solidarity official, Seweryn Jaworski, claimed the priest was being held by security forces who intended to send him out of the country. United Press International reported.

In Gdansk, Lech Walesa, the former leader of the outlawed union, urged Poles to stay out of what he characterized as a power struggle within the government. He said an unknown conspirator within the leadership intended to provoke a revolution to depose General Wojciech Jaruzelski, the nation's leader.

The interior minister vowed that the kidnappers and "those who shielded them" would be punished, and warned Poland's political opposition not to use the incident in "pushing excited elements of the society into acts that may lead to unpredictable consequences."

Police stepped up patrols in Warsaw on Sunday, apparently in anticipation of street protests over the priest's disappearance. PAP, the official press agency, reported that the Warsaw district defense committee had convened Saturday to review the state of public order in the capital.

Thousands of Roman Catholics faithful were expected to gather Sunday evening in Warsaw for special masses in behalf of Father Popieluszko, 37, a Solidarity supporter who was abducted in northern Poland on Oct. 19.

Appearing on television in his general's uniform, General Kiszczak identified the organizer of the kidnapping as Captain Grzegorz Piotrowski, 33, a chief of section in the ministry. He said the other kidnappers were the captain's subordinates, Lieutenant Waldemar Chmielewski, 29, and Lieutenant Leszek Pekala, 32.

The three had served in the ministry between seven and nine years. General Kiszczak said he did not describe their duties or say in which branch they served, but sources said the three were officers of the internal security service.

General Kiszczak said the men readily confessed to abducting the priest but continued to give conflicting stories about his fate. It was confessed to murdering the priest. But he added that a search of the area where the priest was allegedly murdered had produced nothing.

The interior minister said Captain Piotrowski "claims his act was prompted by the political activity of Father Popieluszko" and the captain's belief that the government had been ineffective in containing such activity. The two signatories, he added, insisted that they were only following orders.

General Kiszczak said Father Popieluszko's kidnapping had been planned over a long time and carried out in a way "calculated to give the impression that the Ministry of Interior was responsible." Thus, he added, gave it the character of a "self-appraisal provocation."

Speaking for the government, General Kiszczak disclosed the abduction. The act had been condemned in strong terms Friday by General Jaruzelski and the Communist Party Central Committee.

[The Central Committee met Saturday at party headquarters in Warsaw. The Associated Press reported. It issued a statement calling for a special review by the ruling Politburo of the activities of the police apparatus and hinted at possible personnel changes in the Interior Ministry.]

In his statement, General Kiszczak promised a full, open investigation of "this entire disgusting affair," and said the nation's police and security forces were already subject to a constant process of weeding out undesirable elements.

In the last two years, he noted, 2,464 Interior Ministry employees had been dismissed for illegal action or breach of discipline and 872 "met with penal responsibility."

Hours before General Kiszczak's appearance, the authorities moved to forestall renewed political activity by Solidarity supporters.

An official communiqué, carried in all leading newspapers, accused the Solidarity underground of exploiting the kidnapping to create a new confrontation between the society and the government.

"The goal is street unrest," the statement said. "Long-term opponents of stabilization and agreement want to bring about a clash at any cost."

Mine Leaders From U.K. Met Libyans

By Michael Getler
Washington Post Service

LONDON — The leader of Britain's striking mine workers, Arthur Scargill, has acknowledged that he met with Libyan representatives in Paris three weeks ago and that a top union executive went to Tripoli and met the Libyan ruler, Colonel Moammar Qadhafi.

Mr. Scargill, in interviews Sunday, said he and his union's chief executive, Roger Windsor, had gone to these meetings at the invitation of trade unionists in Libya, not the Tripoli government. He said his National Union of Mineworkers had neither asked for nor received funds from the Libyans to help striking miners here.

The disclosure of the visits, which apparently were unknown to much of the mine union's executive committee, brought immediate condemnation from many political leaders and a number of local mine union leaders.

The subject of Libya has been a sensitive one in Britain since April when the government severed diplomatic relations after a British policeman was shot by someone inside the Libyan Embassy in London.

The trips by Mr. Scargill and Mr. Windsor could isolate Mr. Scargill from other union leaders and from some of the 120,000 miners who have been on strike since March.

It could also erode whatever public support there is for the strike. The disclosure comes less than a week after the leaders of a mine union that represents 17,000 pit deputies responsible for safety at mines voted to call off a threatened strike. A strike might have closed mines where 50,000 British miners continue to work.

Mr. Scargill on Sunday criticized what he called the "furore" over the news of the contacts, which appeared in British newspapers.

Under questioning, however, Mr. Scargill said, "As far as we are concerned, if trade unionists anywhere in the world wish to support the fight of the British miners to stop pit closures and save jobs, we would welcome that support."

The leader of the opposition Labor Party, Neil Kinnock, said that if any funds were offered to the miners from Libya they must be rejected. He called it a "vile insult" to receive funds associated with that government.

David Steel, the leader of the Liberal Party, said Mr. Scargill's activities showed he was trying to "extend Marxism."

The Libyan to whom Mr. Scargill spoke in Paris was Salem Ibrahim, reportedly a friend of Colonel Qadhafi.

Mr. Scargill said he and Mr. Windsor went to Paris to arrange a convey of aid from French miners to their British counterparts and also to meet with trade unionists from Hungary, Libya and the Soviet Union.

He said he and Mr. Windsor traveled under false names to escape attention of reporters and that the Libyans had paid for Mr. Windsor's trip.

Reagan's Coattails May Not Reach Republican Candidates in the South

By William E. Schmidt
New York Times Service

ATLANTA — Republican candidates in the South are seeking to translate President Ronald Reagan's popularity in the region into victories for other offices next month but political analysts say such an outcome is unlikely.

Republican strategists consider the South, along with the West, as Mr. Reagan's strongest base of support. They hope to pick up as many as 12 House seats now held by Democrats in 11 Southern states. However, Republican gains in the 11 states depend on the ability of the party to hang onto at least nine districts where Republicans face tough challenges from Democrats.

In races for the Senate, even Republican officials privately concede the party will do well if it loses no more than one of the five Republican seats being contested in South Carolina, North Carolina, Mississippi, Virginia and Tennessee.

Meanwhile, the governorships of

both Arkansas and North Carolina are likely to remain Democratic, barring a Reagan landslide that could tilt the outcome in North Carolina.

Polls show the president, his strength buoyed by a registration

Regional Races The South

This is the first in a series of five articles on regional candidates and issues in the national election.

drive that has added many white, conservative voters in the region, holding a lead over Walter F. Mondale, his Democratic opponent, throughout the South.

Much of Mr. Reagan's strength derives from the appeal within the region of his conservative philosophy on such issues as military and fiscal policy, as well as his surging popularity among fundamentalist Christian churches.

Meanwhile, despite the relatively

large amount of time Mr. Mondale has devoted to the region, efforts at campaign organizing among Democrats here have lagged well behind the aggressive tack taken by Mr. Reagan's staff.

Some key Democratic leaders in the South have shunned the Mondale campaign, and Democratic campaign offices have been slow to open. There is a hizzard of Reagan bumper stickers displayed on cars across the region, but Mondale signs and buttons and other materials are rarely seen.

"Even so, a president's coattails barely touch the ground," said Claiborne Darden, an Atlanta-based pollster and political analyst who is predicting a landslide vote for Mr. Reagan in the region.

Mr. Darden and others say there continues to be a strong tradition of loyalty to the Democratic Party at the state and local level, which means that in many states voters will split their tickets between Mr. Reagan and other candidates, such

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President Marcos addresses army reservists in Manila.

Marcos Asserts Regime Is Still Strong, Resilient

By William Branigin
Washington Post Service

MANILA, Philippines — President Ferdinand E. Marcos has vowed that his administration will not be "overthrown either by the bullet or the ballot" or play the "pet dog" of any Western power.

In a speech to army reservists Saturday, Mr. Marcos said the armed forces remained resilient and strong despite the release of a report by an official fact-finding board implicating 25 military men and one civilian in a conspiracy last year to assassinate Benigno S. Aquino Jr., an opposition leader.

Mr. Marcos said he was "shocked" when a questioner in the U.S. presidential debate Oct. 21 asked President Ronald Reagan about the prospect that the Marcos government could be overthrown.

Mr. Reagan replied that although some things in the Philippines "do not look good to us from the standpoint of right now of democratic rights," the alternative was "a large Communist movement to take over the Philippines."

Shouting into microphones during Saturday's televised speech, Mr. Marcos said: "The answer to (Continued on Page 2, Col. 7)

Baboon Heart Transplanted In U.S. Infant

By Lawrence K. Altman
New York Times Service

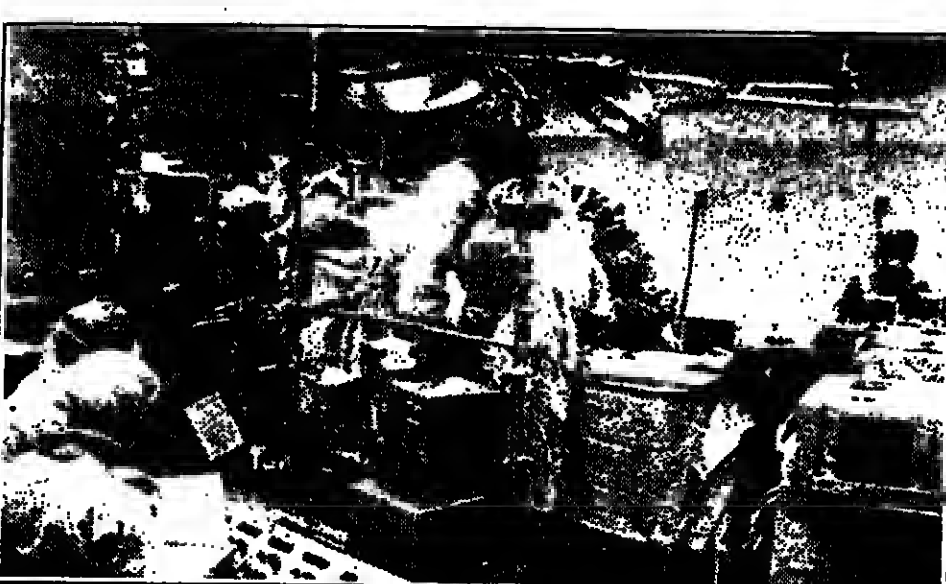
NEW YORK — A 15-day-old girl has received a baboon's heart in a five-hour operation at a California hospital in a bold surgical effort that could have a wide impact on the treatment of failing hearts. She was reported to be doing well.

Doctors attending the girl, who identified her only as Baby Fae, said through a hospital spokesman that they were "very pleased" with the results of the operation, which was completed Friday at the University Medical Center at Loma Linda, California.

There had been only four ape-to-human heart transplants performed previously, all in adults and all unsuccessful. Only one recipient survived more than a few hours, living for three and a half days.

The head of the surgical team said Saturday that the infant was in "remarkably stable condition." The Associated Press reported, Dr. Leonard L. Bailey said, "She has good blood pressure. She's opening and closing her eyes. Her chest X-rays have been good. Her blood oxygen levels are appropriate." On Sunday, a hospital spokeswoman said the baby was "alive and doing well, very alive."

[Dr. Sandra Nielsen-Cannarella, an immunologist who was a member of the operating team, called the case "one of the biggest, overdue advances in our field."] The doctors said Baby Fae had been born with a severe birth defect known as hypoplastic heart syndrome, which made the left side of her heart much smaller than the right. Baby Fae "almost died on her sixth day" of life, said Joyce McClintock, a spokesman for the medical center.



A team of doctors at the University Medical Center in Loma Linda, California, is shown as it successfully transplants a baboon's heart into a 15-day-old infant known as Baby Fae.

Mrs. McClintock said the heart of a baboon, between "four months and one year" of age, was used because a compatible human heart was not available. She said that if the operation proved successful, the baboon's heart would grow as Baby Fae grew. The prediction was based on animal experiments.

Six baboons that were housed at Loma Linda were selected for the compatibility tests. After immunological testing, the potential donors were narrowed to two baboons and then one. "It's really uncanny," one of the doctors said, "because we never thought we could actually get the data to support selection of one primate donor over another."

The doctors said they had detected no other birth defects or conditions in Baby Fae after examinations by specialists.

The operation is the first of five using baboon hearts planned by doctors at Loma Linda University, which is near San Bernardino about 60 miles (96 kilometers) from Los Angeles. The animal-to-human

transplant experiments were approved by the university's ethics committee, Mrs. McClintock said.

The experiments give a concerted new push to the medical profession's effort to use animals as a source of organs for transplants. If the effort with Baby Fae and other humans succeeds, doctors might overcome the shortage of donor human hearts. That shortage has been a barrier to widespread application of heart transplant programs.

While earlier attempts to use ape hearts failed, this new effort comes when organ transplants are meeting with much greater success than before. The reasons include more scientific knowledge as well as the development of improved tests to detect the rejection phenomenon and drugs to fight it since the first human-to-human heart transplant in 1967.

Dr. Christian N. Barnard performed the first successful human heart transplant at Groote Schuur Hospital in Cape Town, and doctors elsewhere quickly joined in af-

ter learning that such transplants were technically feasible.

However, the death rates were high because of the inability of doctors to stop the body from rejecting the donated heart, and almost all centers abandoned the attempts.

In 1977, Dr. Barnard developed a new approach to heart transplant surgery by piggybacking ape hearts to the failing hearts of two patients. In one operation, he piggybacked a baboon's heart and the patient died hours after the operation. In the other, he used a chimpanzee's heart and the patient died three and a half days later.

Experts credit the new surge of transplant activity to the development of a drug called cyclosporin-A. Although the success rates of heart transplants have improved significantly at Stanford University and several other centers that have been using cyclosporin-A, the procedure is still reserved for recipients who have advanced heart disease and little chance of survival.

NATO Group Sets Europe Role in Arms

By John Vinocur
New York Times Service

ROME — Seven NATO allies, meeting here without the United States, have announced plans for enhancing a specific "European identity" in the areas of disarmament and weapons procurement policy.

Foreign and defense ministers from the leading West European member countries of the North Atlantic Treaty Organization said they would reorganize the Western European Union, a 30-year-old body, to harmonize European attitudes involving arms control and develop European cooperation in the manufacture of advanced armaments.

The West German defense minister, Manfred Wörner, described the action as "raising European influence within the alliance" and "an important step toward European political unity."

But the ministers seemed to limit the potential role of what they called a reinvigorated Western European Union by ordering that there be no budget increases or expansion of its 70-member staff.

The officials, representing Belgium, Britain, France, Italy, Luxembourg, the Netherlands and West Germany, also said they planned to meet twice a year from now on. The meetings during the weekend, officials said, were the first to bring the leading West European foreign and defense ministers together outside NATO auspices since the 1950s.

The scheduling of two new military policy meetings a year in addition to the twice-yearly NATO ministerial meetings seemed to give the European countries a forum for

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- Henry A. Kissinger writes that the United States must take the lead in revamping world trade policy. Page 7.

BUSINESS/FINANCE

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SPECIAL REPORT

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TOMORROW

- South Africa's black township of Sebokeng refuses to be bowed after last week's crackdown by police and soldiers.

The Advantages of Being 'Buried Alive' in U.K.'s 'Other House'

By Jo Thomas
New York Times Service

LONDON — The House of Lords is often referred to by members of the House of Commons as "the other place." It has also been called an "evening home" and a "tomb."

"It's like being buried alive," Christopher Addison, a Labor minister of Parliament and later a viscount, was reported to have said when first offered a peerage and the House of Lords seat that comes with it.

"The quality is high," Lord Kilmarnock, whip for the Social Democratic Party, said of the membership, "but it has to be said that the age is pretty high."

The introduction in 1958 of life peers, those granted

a title for life, did nothing to reduce the preponderance of gray hair in the House.

As of August, there were 1,187 members of the House of Lords, a figure that includes two archbishops and 24 bishops of the Church of England. Only a small number of members usually take an active role in deliberations; a gathering of more than 300 for a vote is considered phenomenal.

The chamber is unelected and nonrepresentative. It tries to break for its summer recess before opening day of the grouse-shooting season. The Labor Party, which counts peers among its members, regularly resolves to abolish or somehow reform the place.

But recently, some unusual things have occurred in the House of Lords. For one thing, it has agreed to

have its proceedings televised starting in January, a step the House of Commons has yet to take.

But the major development has been on the legislative front. It was with some sense of irony last summer that politicians, members of the opposition in particular, watched the House of Lords put up the only successful resistance to Prime Minister Margaret Thatcher's legislative juggernaut in the House of Commons.

In the last session, said Lord Ponsbury, Labor's chief whip in the Lords, "we have had five votes in which more than 300 peers have participated." He added, "During the past 150 years, there have only been 25 such votes."

The issues have included civil liberties and the rights of voters, union members, the elderly and the disabled.

One of the Lords' most spectacular clashes with their normal allies, Mrs. Thatcher and her Conservative Party, came over the Greater London Council, which the prime minister and her large majority in the House of Commons intend to abolish. As a prelude to the abolition, the government proposed canceling scheduled elections and replacing elected members with appointees, which would have changed the council's political complexion from Labor to Conservative.

In a turnout exceeded only by votes on the government of Ireland in 1893 and the European Community in 1971, the Lords compelled the government to agree to allow the present members to stay in office. The move won accolades from Ken Livingstone, the council chairman, who once referred to the Lords as "vandalism in ermine."

The House of Lords has had a significant impact on other pieces of the prime minister's legislation: Last March, the Lords tried to write statutory controls on telephone tapping into a bill dealing with the denationalization of British Telecom, forcing the government to promise to introduce such legislation.

The Lords recommended two changes in the po-

lice and criminal evidence bill, which, as proposed, would give the police in Britain far greater powers than their American counterparts. The first change would limit stop-and-search powers to uniformed officers. The second would, for the first time, ban improperly obtained evidence except in rare cases.

The Lords tried to maintain the stock of public housing set aside for the elderly and the disabled by exempting it from legislation giving tenants the right to buy their homes.

"When the government has a big majority," said Lord Ardwick, a Labor peer, "the party manifesto can be almost automatically put through. This is when we miss a written constitution. The general right of appeal to the courts is not there. It is what Lord Hailsham has described as an elected dictatorship."

The House of Lords, he and others have observed, can be a brake — not a stop — on the House of Commons, forcing it to pay attention to public opinion and to matters of law.

"All we can do," Lord Ardwick said, "is delay a bill's passage by roughly 13 months and a day, some absurd thing like that." Afterward, a bill can be approved intact without the House of Lords.

Because the peers do not have to worry about being re-elected, they do have a certain flexibility that the House of Commons does not, including a section of more than 200 independent "cross-benchers."

"I happen to be a Conservative," said Lord Boyd-Carpenter. "That doesn't mean I would feel bound to support everything the government produces. This is the strength of the House of Lords. We are independent. We are there for life."

"If it were reformed," Lord Ardwick said of the House of Lords, "it would inevitably want more power, which the House of Commons would not allow. It's an anomaly, but an anomaly which works rather well and is quite unjustifiable on any democratic basis."

WORLD BRIEFS

Peace Talks on Chad End in Failure

BRAZZAVILLE, Congo (Reuters) — Peace talks among Chad's warring factions have ended in failure here, leaving open the possibility of renewed hostilities once a withdrawal of French and Libyan troops is completed, conference sources said Sunday.

On Saturday, 150 Chadians from a dozen political factions broke up a weeklong meeting they had hoped would clear the way for a summer conference between French-backed President Hissene Habre and his major rival, the Libyan-backed rebel leader, Moukoko Ouéddei.

Habre and Moukoko delegates said they would explore ways of resuming the talks, and their groups would fight back only if attacked. French External Relations Minister Claude Cheysson said Sunday in Paris that French and Libyan military observers would begin Monday to monitor the pullout of 3,000 French soldiers and an estimated 5,000 Libyan troops. The pullout is scheduled to be finished by mid-November.

Arab Is Killed on Bus in Jerusalem

JERUSALEM (Reuters) — An Arab youth was killed Sunday and two Arabs were wounded when an anti-tank rocket launched by suspected Jewish extremists hit an Arab bus carrying about 50 people in West Jerusalem, security officials said.

An anti-tank rocket launcher was found on a hillside about 10 meters (30 feet) from the bus, police said.

A note was found near the launcher saying that the attack was in revenge for the death last week of two Israelis in the occupied West Bank.

Israel Issues Troop Withdrawal Plan

JERUSALEM (Reuters) — Israel officially proclaimed Sunday its plan to withdraw its 12,000 troops from Lebanon within a short period through U.S.-mediated negotiations with Syria and direct military talks with Lebanon.

A statement issued after a cabinet meeting said that Israel would try to reach agreement with Syria through the good offices of the United States, and with Lebanon through direct talks on security arrangements. It did not elaborate on the timing of the withdrawal and said this would be determined by the government.

U.K. Bishop Questions Resurrection

LONDON (AP) — Bishop David Jenkins, a leading figure in the Church of England, has referred in a radio broadcast to the resurrection of Jesus Christ as a "conjuring trick with bones." To a questioner on the program, which was to be aired Sunday, who stressed the New Testament teaching that Christ rose from the tomb, Mr. Jenkins replied in part: "A conjuring trick with bones only proves that somebody is clever at a conjuring trick with bones. I mean the question is what does that stand for? What is it related to? A resuscitated corpse might be a resuscitated corpse and might be part of a sign of something. But there's still the question as to what it is a symbol of."

Mr. Jenkins repeated in the radio program his view that Christians do not have to take the Virgin Birth and the Resurrection as absolute facts. His views stirred angry reaction among traditionalists in the Church of England when he was consecrated July 6 as the bishop of Durham.

Bulgaria Protests Indictment in Italy

VIENNA (AP) — The Italian ambassador to Bulgaria has been summoned to the Foreign Ministry in Sofia and handed a sharp protest over the indictment in Italy of three Bulgarian citizens implicated in the May 1981 assassination attempt on Pope John Paul II.

The official Bulgarian news agency, BTA, said that the Italian diplomat, Giovanni Battistini, was received by Deputy Foreign Minister Lyuben Gosev on Saturday. BTA released what appeared to be a wording of the protest note, saying the indictments represented a "gross violation of international diplomatic accords" and that "all this puts Bulgarian-Italian relations to a serious test."

An Italian judge, Ilario Martella, said Friday that the pope was shot by both Mehmet Ali Agca, a Turk who was convicted of the attack, and Orhan Celik, another Turk. Three other Turks and three Bulgarians, including Sergei Antonov, the former deputy station manager of the Bulgarian Airlines office in Rome, also were indicted.

For the Record

Bishop Abel Muzorewa, a former prime minister, called Sunday on Zimbabwe's black opposition to unite in resisting Prime Minister Robert Mugabe's aim of a one-party political system. Bishop Muzorewa and Joshua Nkomo are leaders of the main black opposition parties. (AP) Der Spiegel, the West German news magazine, said Sunday that a deal was about to be concluded for the sale to Iran of about 100 tanks made in Argentina from West German parts. The magazine attributed its story to Argentine armament experts. (UPI)

Marcos Says His Regime Remains Strong, Resilient

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that should have been that there is no indication the Marcos administration can be overthrown either by the ballot or the bullet.

He said the idea that "several thousand Communist rebels" could threaten his 19-year-old government was "certainly imagination of the wildest degree."

Mr. Marcos later told senior officers at a "command meeting" that the temporary replacement of General Fabian C. Ver, the armed forces chief of staff, and two other generals had "created no vacuum" in the military's fight against communist insurgents, Muslim secessionist rebels and crime syndicates.

General Ver, 64, went on what the government described as a "leave of absence" after the fact-finding board's majority report said Mr. Aquino was not killed by a Communist agent as the government had claimed but by a soldier in a military conspiracy involving General Ver.

At ceremonies marking the seventh anniversary of his formation of the Army Reserve Command, Mr. Marcos told representatives of 1.2 million military reservists in the Philippines, "We all feel here an inescapable sense of sadness about the developments of the past few days that have placed some of our men in uniform under public doubt and accusation."

He referred to the "distressing development" that four members of a fact-finding board had issued findings listing the 25 military men as "indictable for the premeditated killing."

A dissenting report by the board's chairman implicated only seven of the 25 in the assassination conspiracy.

Mr. Marcos again obliquely criticized the majority report's findings when he praised the military men for "admirably" submitting themselves to the judicial system for the "crimes now strangely imputed to them."

Mr. Marcos denounced what he said was a tendency of the Western press lately to classify the Philippines with certain Latin American republics, which he said he did not want to call "banana republics" and compare his country with the likes of Chile, Argentina, Nicaragua and El Salvador.

"Please spare us this generosity," Mr. Marcos said.

He lashed out at the U.S. State Department for comments last week about the Aquino assassination findings. When Mr. Marcos accepted the dissenting report

Tuesday, the State Department said Washington expected the majority report to lead to the prosecution of the accused by the Philippine judicial system.

Then, when Mr. Marcos, on Wednesday ordered the prosecution of those named in the more damaging majority report, the State Department praised him and hailed "the vigor of democratic traditions in the Philippines."

The State Department, however, went on to say, "The United States trusts that, as President Marcos has promised, those responsible for Senator Aquino's murder, no matter who they may be, will be held accountable for their crime."

With evident sarcasm, Mr. Marcos told the Reagan administration:

"We thank the State Department for articulating the congratulations of his government for the actions that we have taken, but may we inform our friends the Americans that we are not doing things here in order to satisfy the State Department or the Americans, but in order to meet the requirements of the rule of law provided for in our constitution."

He said that he appreciated "such a strong and generous partner" as the United States.

"But we certainly don't want to appear before our pet dog of any Western ally," he said.

Western diplomats said it was unclear whether the initial U.S. comments had influenced Mr. Marcos' handling of the majority report. But they noted his apparently reluctant acceptance of it when he told the four fact-finding board members Wednesday: "I hope you can live with your consciences after what you have done."

■ **Generals Support Ver**

Sixty-eight Philippine military generals declared Sunday their "unwavering loyalty" to General Ver and said they were confident he would be cleared of accusations of complicity in the Aquino murder. The Associated Press reported.

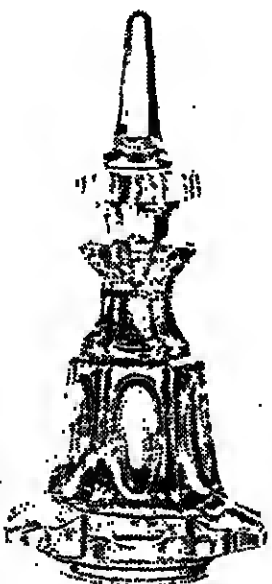
The generals announced their support in a full-page advertisement published in the Manila newspaper Bulletin Today, the Philippines' largest English-language daily.

The names of 17 of the country's 83 generals did not appear in the signed manifesto. The 17 include Lieutenant General Fidel V. Ramos, chief of the constabulary, whom Mr. Marcos has designated acting military chief in General Ver's absence.

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Jean Desprez
PARFUMS PARIS

González's Call for a U.S. Troop Cut Said to Be Ploy for Staying in NATO

By Edward Schumacher
New York Times Service

MADRID — Government officials say that Prime Minister Felipe González's statement last week that he wants to reduce U.S. troop levels in Spain is part of a strategy to win public support for keeping the country within the North Atlantic Treaty Organization.

Most polls have shown that a majority of Spaniards want to quit NATO, and the officials said Mr. González saw a troop reduction as part of the bait he must offer his countrymen to get them to agree to continued membership.

Fifty-two percent of 2,600 Spaniards surveyed recently oppose the NATO connection and 70 percent oppose the continued leasing of bases to the United States, according to a poll published Sunday. The Associated Press reported. The survey by the Madrid newspaper, El País, said 19 percent favored continued membership.

Mr. González, after two years of what a newspaper here called "controlled ambiguity," said clearly for the first time Tuesday that he fe-

vored remaining in NATO, at least politically. But, under pressure to fulfill a campaign pledge, he also announced that he would hold a national referendum on the question within the next 16 months.

Mr. González did not specifically link membership in NATO and an American troop reduction, but he presented them as part of a 10-point defense plan that he said he would submit to parliamentary debate in hopes of achieving a consensus among political parties before the referendum.

Conservative parties reacted favorably to the plan, but the Communists and the left wing of Mr. González's own Socialist Party did not. Some party members expressed anger that they had not been consulted. In December, the party will hold its first national convention since Mr. González took office two years ago.

American officials have not shown particular concern over Mr. González's statement about a troop reduction. The United States has 12,000 troops stationed at four bases and a scattering of communication stations under a treaty ratified by the González government just last year. The treaty is not up for renegotiation until 1988.

Mr. González did not say how large a reduction he wanted or on what timetable, but he used words such as "adjustment" and "progressively less presence." The impression among many Western dip-

lomats was that the reduction would be gradual and minor, perhaps after 1988.

The most important base, from the American point of view, is the naval facility at Rota, near the Strait of Gibraltar. The base, which has more than 5,000 servicemen, supplies the 6th Fleet. The air force uses the other three bases.

One, at Torrejón de Ardoz outside Madrid, has more than 4,000 servicemen and a normal complement of nearly 80 planes. A second air base in the northeastern city of Zaragoza has more than 2,000 servicemen and is used largely for training. The third base, in Morón, outside Seville in the south, has about 400 servicemen and is mostly on standby.

The United States considers its presence central to the defense of southern Europe. Western diplomats, however, saw a minor reduction as a price worth paying to keep Spain inside the larger European defense framework of NATO.

A conservative-led government joined NATO in 1982. Mr. González came to office months later, winning in part on a campaign against membership. One of Mr. González's first acts as prime minister was to freeze military integration into NATO.

Spain today is on NATO's Military Committee, but its forces are not part of the organization's force structure.



Two West German leaders, Foreign Minister Hans-Dietrich Genscher, left, and Defense Minister Manfred Werner, following the Western European Union meeting.

'European Identity' Sought In Policy on Disarmament

(Continued from Page 1)

trying to convince segments of their populations that their security decisions were not wholly dominated by the United States.

But without committing new resources to the Western European Union, the European allies also appeared to reflect less enthusiasm for the idea of "Europeanization" of military policy than when the concept was first discussed a year ago.

At that time, the deployment of new U.S.-made nuclear missiles in Western Europe prompted such protests in Britain, Italy, the Netherlands and West Germany that interest was expressed in finding a way to place a clear European mark on Western security policy.

In addition, France, the major initial force in trying to refashion the Western European Union, regarded its strengthening as a way of binding West Germany to the allies and combating nationalist and pacifist forces in West Germany by bolstering a defense forum excluding the United States.

At the same time, France and other European countries say the European body as a potential tool in dealing with what is regarded as the widening American lead in de-

velopment and sales of advanced military technology.

On Friday, the ministers moved to reorient the body toward the "study of questions relating to arms control and disarmament" and "providing political impetus" for cooperative European initiatives in arms procurement.

A communiqué said a group called the Agency for the Control of Armaments, set up within the Western European Union essentially to monitor limitations that West Germany placed on itself in the development of conventional weapons, would stop its activities concerning conventional arms by Jan. 1, 1986.

With the lifting five months ago of all restrictions involving production of conventional weapons by West Germany, the control agency and another group, the Standing Armaments Committee, can now examine wider arms control and disarmament issues, study "security and defense problems" and work on armaments cooperation, the communiqué said.

How a limited staff would manage the disarmament studies and assist joint European arms programs was not made clear. The ministers said, however, that the function of the Western European Union would be to "encourage" the activities of the Independent European Production Group, an organization of European NATO members, including France, that is trying to work out European approaches to the military applications of high technology. The word "encourage" was not further defined.

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CAMPAIGN BRIEFS

Pro-Israel Groups Raise \$1.8 Million

WASHINGTON (UPI) — House and Senate candidates have received more than \$1.8 million from pro-Israel groups and the largest block of money has been targeted to defeat Senator Charles H. Percy, an Illinois Republican and chairman of the Foreign Relations Committee, a study has shown.

The study, by Edward Roeder of Sunshine News Services, is based on computer analysis of the Federal Election Commission reporting statements through July, the end of the most recent reporting period studied by the news service.

The analysis identifies 54 pro-Israel political action committees that contribute to House and Senate races, none identified by names connected with Israel. The total from the 54 groups, according to the study, is expected to reach \$4 million by Nov. 6.

The service says Senator Percy, who has frequently expressed his support for Israel, has become a target of the groups because he voted to support the Reagan administration no the sale of AWACs and other advanced aircraft to Saudi Arabia.

9 Women Challenging Incumbents

AUGUSTA, Maine (AP) — Nine women taking on U.S. Senate races this year are backing a historical trend with formidable odds: no woman has ever defeated an incumbent senator.

Fifteen women have served in the Senate by election or appointment, according to Senate Library files, but none was elected over an incumbent senator. This year, with the encouragement of both parties, a record nine women are challenging incumbent senators in Colorado, Maine, Minnesota, Nebraska, New Jersey, New Mexico, Oregon, Rhode Island and Virginia.

"You can point at them and say they all look like sacrificial lambs, but it is hard to meet an incumbent at any price and any gender," said Kathy Wilson, chairman of the National Women's Political Caucus.



Walter F. Mondale shaking hands after a speech to a weekend rally at a park in San Diego.

Reagan's Stumble During First Debate
Was Routine Performance for Insiders

By George Skelton

WASHINGTON — When 100 million U.S. television viewers watched President Ronald Reagan occasionally falter, stumble and grope for words in his first debate with Walter F. Mondale, they saw what a small cadre of perhaps 100 aides and journalists have been witnessing routinely for years.

That smothered, stronger performance the president turned in during the second debate last week was closer to what the American public has come to expect.

But the patented Reagan oratory that is so skillful and articulate and long ago earned him the title of the "Great Communicator" generally require a meticulously honed, well-rehearsed script, preferably read from a TelePrompster, aides say. And these prerequisites do not fit easily into the format of a debate or press conference.

One of the less widely known facts about Mr. Reagan is that he sometimes botches speeches and frequently scrambles the English language. "He's always gotten his syntax screwed up," said James Lake, a campaign spokesman and veteran Reagan aide.

Newspaper reporters and TV film editors often clean up rambling, disjointed, extemporaneous sentences by Mr. Reagan, without changing their substance, if they are deemed relevant to a news sto-

ry, thus giving a break not only to the reader or viewer but also to the president.

What was unique about Mr. Reagan's subpar performance in his first debate — which he acknowledged was flat and his advisers termed disappointing — was that it occurred in front of very possibly the biggest audience of his life and marked the first time in a 20-year political career that the former film actor has failed to come through when the spotlight was on and it really counted.

"I guess he had it coming," quipped a longtime political adviser, Stuart K. Spencer, alluding to the president's many past triumphs in high-stakes debates and speeches.

Mr. Spencer added, more seriously, that "he had an off-night, just like an athlete."

Several explanations were offered by Mr. Spencer and other close aides as to why President Reagan had a bad night in Louisville, Kentucky, on Oct. 7, but had a reasonably good night in Kansas City, Missouri, two weeks later during the second debate.

One thing they all insisted upon is that it had nothing to do with age. "In almost every aspect, I haven't seen age to be a factor — in his ability to deliver, travel, do the things he's always done," said Mr. Spencer.

In Louisville, aides said, Mr. Reagan was rusty, out of practice answering questions from adversaries. He had not held a press conference since July 24 because, aides privately admitted, it was considered too risky. He might have misstated some fact, as he is prone to do, or expressed some unpopular view that could have jeopardized his large lead in the polls.

White House advisers tried before the first debate to cram Mr. Reagan with facts and statistics to counter Mr. Mondale's charge that the president was out of touch and aides admitted.

Also, an incorrect assumption about how Mr. Mondale would confront President Reagan led David A. Stockman, the budget director, to repeatedly act out the role of a nasty, ridiculing opponent during mock debate rehearsals. This "brutalized" the president in the view of Senator Paul Laxalt, a Nevada Republican, Mr. Reagan's campaign chairman and longtime political ally.

The result was that a president who performs best after he has received encouraging pep talks went into the crucial contest having been "browbeaten" by his staff, according to one aide, who asked out to be identified. "His spirit was dampened when it should have been ignited."

The Industriekreditbank Reports

Business Year 1983/84

Success Stories of IKB Customers

Even in the years of the recession from 1980 to 1982 a great number of small and medium-sized enterprises managed to make excellent profits and to increase employment. This is the conclusion of a much-quoted study made by Industriekreditbank (IKB), "The Entrepreneur's Bank," in the first part of its business report 1983/84. Some of the most important reasons for the positive operating results of these firms are: successful enterprises have managed to achieve above-average investment ratios, to push new products in the market, and to reduce stock and short-term liabilities to banks.

IKB Profits Increasing

The net interest income obtained by Industriekreditbank increased by 13% to DM 197 million. Since administrative expenses could simultaneously be cut the operating result was improved by 26% to DM 124 million. Rising risks were taken into account by increasing loan loss provisions and write-offs from DM 21 million to DM 37 million.

Higher Dividend

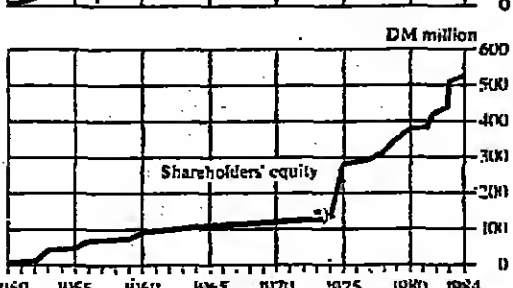
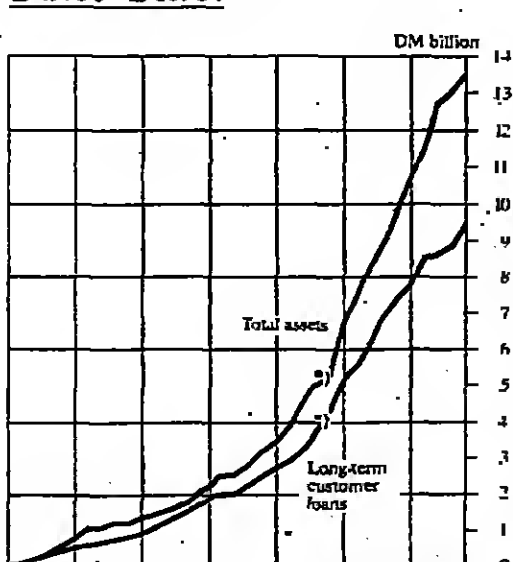
Thanks to higher earnings, the dividend could be increased to DM 7.50 per DM 50 share. The profit as shown in the balance sheet rose by 20% to DM 24 million. After DM 12 million appropriated out of the year's net profit, capital and reserves amounted to DM 516 million, or 3.81% (against 3.45% in 1982/83) for the year-end balance sheet total.

Shifting to Long-term Loans

Our bank's balance sheet total increased by 3.8% to DM 13.5 billion, the claims on customers by 3.4% to DM 10 billion. The resulting fixed-interest long-term loans continued in the business year 1983/84, so that meanwhile 95% of our claims again fall upon loans of at least four-year terms.

Successful Subsidiaries

Our 100% owned Euro subsidiary, Industriekreditbank International, Luxembourg, could extend its borrowings by 27% to DM 780 million. The operating result rose by 25%. Profits of DM 1.6 million remaining after valuation adjustments and setting up of reserves were added to the reserve fund. IKB Leasing GmbH, engaged in equipment leasing, has likewise operated successfully. Its gross income from leasing customers could be increased by 6% to DM 173 million. IKB Consult GmbH, our consultancy company, also showed a continuing upward trend.

Business Development
1949/50 - 1983/84

as of March 31 respectively
*) Increase partly resulting from merger with Deutsche Industriekreditbank

Composite Balance Sheet as of March 31, 1984*)

| Assets | DM million | Liabilities | DM million |
|-------------------------------|------------|------------------------------------|------------|
| Cash items and checks | 78.8 | Liabilities to credit institutions | 4,703.8 |
| Claims on credit institutions | 2,348.2 | of which long-term | 3,255.5 |
| of which long-term | 778.7 | Liabilities to other creditors | 2,005.8 |
| Securities | 660.4 | of which long-term | 1,966.7 |
| Claims on customers | 10,072.7 | Provisions | 5,875.7 |
| of which long-term | 9,524.1 | Share capital | 142.2 |
| Investments | 110.7 | Share capital | 162.0 |
| Own bonds | 43.8 | Capital reserves | 354.3 |
| Other assets | 277.2 | Undivided profits | 24.3 |
| Total assets | 13,541.8 | Other liabilities | 273.7 |
| Endorsements | 73.8 | Total liabilities | 13,541.8 |
| Guarantees | 206.2 | | |

Composite Income Statement for 1983/84

| Expenses | DM million | Revenue | DM million |
|-------------------------------------|------------|----------------------------------------------------------------------|------------|
| Interest and similar expense | 898.5 | Interest and similar revenue from lending and money market business | 1,016.3 |
| Loan loss provisions and write-offs | 37.5 | Period revenue from securities, debt register claims and investments | 78.8 |
| Personnel expenses | 53.6 | Other revenue | 12.2 |
| Other operating expenses | 19.9 | | |
| Taxes | 52.9 | | |
| Other expenses | 8.6 | | |
| Net income | 36.3 | | |
| | 1,107.3 | | |

*) Our detailed Annual Report with complete financial statements, (including the positive confirmation of our outside auditors, is available on request (Postfach 1118, D-4000 Düsseldorf 1). Complete financial statements are published in the official Bundesanzeiger No. 198 issued October 18, 1984.

Industriekreditbank AG
Deutsche Industriekreditbank



The Entrepreneur's Bank
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Several explanations were offered by Mr. Spencer and other close aides as to why President Reagan had a bad night in Louisville, Kentucky, on Oct. 7, but had a reasonably good night in Kansas City, Missouri, two weeks later during the second debate.

One thing they all insisted upon is that it had nothing to do with age. "In almost every aspect, I haven't seen age to be a factor — in his ability to deliver, travel, do the things he's always done," said Mr. Spencer.

In Louisville, aides said, Mr. Reagan was rusty, out of practice answering questions from adversaries. He had not held a press conference since July 24 because, aides privately admitted, it was considered too risky. He might have misstated some fact, as he is prone to do, or expressed some unpopular view that could have jeopardized his large lead in the polls.

White House advisers tried before the first debate to cram Mr. Reagan with facts and statistics to counter Mr. Mondale's charge that the president was out of touch and, aides admitted, insufficiently informed to lead.

Also, an incorrect assumption about how Mr. Mondale would confront President Reagan led David A. Stockman, the budget director, to repeatedly act out the role of a nasty, ridiculing opponent during mock debate rehearsals. This "brutalized" the president in the view of Senator Paul Laxalt, a Nevada Republican. Mr. Reagan's campaign chairman and longtime political ally.

The result was that a president who performs best after he has received encouraging pep talks went into the crucial contest having been "browbeaten" by his staff, according to one aide, who asked out to be identified. "His spirit was dampened when it should have been ignited."

The Industriekreditbank Reports

Business Year 1983/84

Success Stories of IKB Customers

Even in the years of the recession from 1980 to 1982 a great number of small and medium-sized enterprises managed to make excellent profits and to increase employment. This is the conclusion of a much-quoted study made by Industriekreditbank (IKB), "The Entrepreneur's Bank," in the first part of its business report 1983/84. Some of the most important reasons for the positive operating results of these firms are: successful enterprises have managed to achieve above-average investment ratios, to push new products in the market, and to reduce stock and short-term liabilities to banks.

IKB Profits Increasing

The net interest income obtained by Industriekreditbank increased by 13% to DM 197 million. Since administrative expenses could simultaneously be cut the operating result was improved by 26% to DM 124 million. Rising risks were taken into account by increasing loan loss provisions and write-offs from DM 21 million to DM 37 million.

Higher Dividend

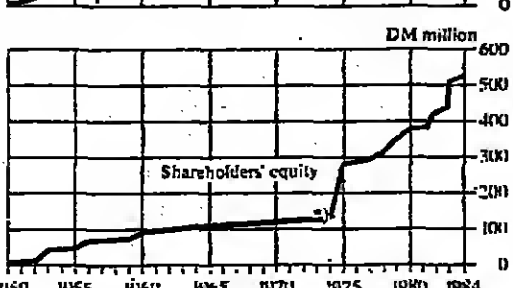
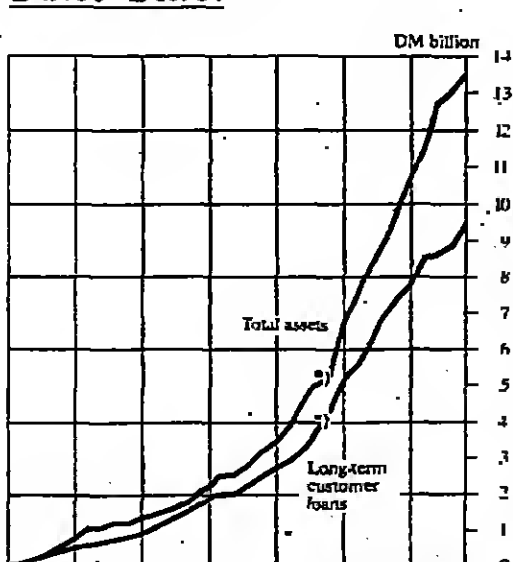
Thanks to higher earnings, the dividend could be increased to DM 7.50 per DM 50 share. The profit as shown in the balance sheet rose by 20% to DM 24 million. After DM 12 million appropriated out of the year's net profit, capital and reserves amounted to DM 516 million, or 3.81% (against 3.45% in 1982/83) for the year-end balance sheet total.

Shifting to Long-term Loans

Our bank's balance sheet total increased by 3.8% to DM 13.5 billion, the claims on customers by 3.4% to DM 10 billion. The rescheduling to fixed-interest long-term loans continued in the business year 1983/84, so that meanwhile 95% of our claims again fall upon loans of at least four-year terms.

Successful Subsidiaries

Our 100% owned Euro subsidiary, Industriekreditbank International, Luxembourg, could extend its borrowings by 27% to DM 780 million. The operating result rose by 25%. Profits of DM 1.6 million remaining after valuation adjustments and setting up of reserves were added to the reserve fund. IKB Leasing GmbH, engaged in equipment leasing, has likewise operated successfully. Its gross income from leasing customers could be increased by 6% to DM 173 million. IKB Consult GmbH, our consultancy company, also showed a continuing upward trend.

Business Development
1949/50 - 1983/84

as of March 31 respectively
*) Increase partly resulting from merger with Deutsche Industriekreditbank

Composite Balance Sheet as of March 31, 1984*)

| Assets | DM million | Liabilities | DM million |
|-------------------------------|------------|------------------------------------|------------|
| Cash items and checks | 78.8 | Liabilities to credit institutions | 4,703.8 |
| Claims on credit institutions | 2,348.2 | of which long-term | 3,255.5 |
| of which long-term | 778.7 | Liabilities to other creditors | 2,005.8 |
| Securities | 660.4 | of which long-term | 1,966.7 |
| Claims on customers | 10,072.7 | Provisions | 5,875.7 |
| of which long-term | 9,524.1 | Share capital | 142.2 |
| Investments | 110.7 | Share capital | 162.0 |
| Own bonds | 43.8 | Capital reserves | 354.3 |
| Other assets | 277.2 | Undivided profits | 24.3 |
| Total assets | 13,541.8 | Other liabilities | 273.7 |
| Endorsements | 73.8 | Total liabilities | 13,541.8 |
| Guarantees | 206.2 | | |

Composite Income Statement for 1983/84

| Expenses | DM million | Revenue | DM million |
|-------------------------------------|------------|----------------------------------------------------------------------|------------|
| Interest and similar expense | 898.5 | Interest and similar revenue from lending and money market business | 1,016.3 |
| Loan loss provisions and write-offs | 37.5 | Period revenue from securities, debt register claims and investments | 78.8 |
| Personnel expenses | 53.6 | Other revenue | 12.2 |
| Other operating expenses | 19.9 | | |
| Taxes | 52.9 | | |
| Other expenses | 8.6 | | |
| Net income | 36.3 | | |
| | 1,107.3 | | |

*) Our detailed Annual Report with complete financial statements, (including the positive confirmation of our outside auditors, is available on request (Postfach 1118, D-4000 Düsseldorf 1). Complete financial statements are published in the official Bundesanzeiger No. 198 issued October 18, 1984.

Industriekreditbank AG
Deutsche Industriekreditbank



The Entrepreneur's Bank
Düsseldorf Berlin Frankfurt Hamburg München Stuttgart
in Luxembourg: Industriekreditbank International S.A.

ملک من الاصل



Cardinal Jaime L. Sin of Manila, left, prayed with Bishop Michael Fu Tieshan in Beijing on Sunday.

Manila's Cardinal Visits Breakaway Beijing Church

BEIJING — Chinese worshippers in a Beijing cathedral knelt Sunday at the feet of Manila's Roman Catholic archbishop, Cardinal Jaime L. Sin, and kissed the ring of the prelate. The cardinal is on a mission of friendship toward the Communist Chinese church which broke with the Vatican in 1957.

Cardinal Sin prayed briefly at Our Lady of the Immaculate Conception Cathedral in west Beijing and appeared moved as he was led through the throngs by Beijing's Catholic bishop, Michael Fu Tieshan. "My church also is called immaculate conception," Cardinal Sin told Bishop Fu. "So we have the same mother."

The Filipino cardinal arrived Saturday for a 10-day visit. He said he wanted to see relatives, make friends and talk with religious and state leaders on prospects for healing the Chinese church's split with the Vatican. Cardinal Sin is the first Asian archbishop to visit China since the 1949 Communist takeover.

Nations, Individuals Join Effort to Aid Starving Ethiopians

By Joseph Berger
New York Times Service

NEW YORK — An international effort to help famine victims in Ethiopia has accelerated dramatically in recent days with governments offering food, transport planes and other aid.

In New York, officials of relief agencies said there had been an outpouring of thousands of donations for the stricken Ethiopians. Part of the reaction in the United States was attributed to the television broadcast of a film that vividly depicted the suffering.

Officials of American relief agencies said it had been years since they had been so overwhelmed with offers of help.

"The telephones have been ringing constantly," said James Sheffield, president of the United States Committee for the United Nations Children's Fund, or UNICEF.

The U.S. Agency for International Development said last week that six million Ethiopians were threatened with starvation and as many as 100 were dying daily.

On Saturday, Britain offered two Hercules transport planes to fly food to Ethiopia and other planes to drop food directly to stricken areas. The Reagan administration said earlier that it would provide \$45 million in food aid to Ethiopia; the 10-nation European Community offered \$23.4 million in food and medical supplies, and the Netherlands pledged \$3.8 million in famine relief.

While the famine has been killing Ethiopians for more than a year, relief officials say, the surge of offers in the United States followed graphic film footage of starving Ethiopian children and adults that was shown on U.S. television last Tuesday.

"Many of them are in tears when they call," Mr. Sheffield said. "They've seen television footage

and they say it's horrible and something must be done." He said his agency had received offers of from \$65,000 to \$75,000. He said two pledges were from young girls "whose allowance was \$5 a week and they want to pledge that."

Betty Woodward of the Save the Children Fund, another relief group, said her agency had received 12,000 phone calls since Tuesday. "We've never seen anything like this in terms of a telephone response," she said.

The television film, which was

produced by the British Broadcasting Corp., showed malnourished children and adults at a refugee camp. "There were literally people dying on the screen," Mrs. Woodward said.

"It hasn't stopped since then," she continued. "We had people here until 2 in the morning. We had 40 phones and people were doing nothing but answering them."

She said that "people want to talk about it. It's almost a catharsis. 'Can't we do more,' they say. 'Can't you airlift people in there.'"

■ **Ethiopia Rejects Commission**
Ethiopia has rejected proposals that an independent commission ensure that food aid for the country's famine victims reaches areas where rebels are active, Reuters reported from Addis Ababa.

A spokesman for the Relief and Rehabilitation Commission said Saturday that Ethiopia had found the commission unacceptable because it was set up without the approval of Addis Ababa authorities.

The commission, which is head-

ed by Willy Brandt, a former West German chancellor, was formed Friday by a British charity, War on Want.

George Galloway, general secretary of the charity, said the commission wanted to travel to Ethiopia to make sure that relief reached Tigre and Eritrea, two areas where rebels are active.

■ **U.S. Said to Block Aid**

A leading authority on aid said the United States and Britain blocked relief supplies to Ethiopia

hoping a famine would topple the Marxist government, according to The Associated Press.

A U.S. Embassy spokesman in Addis Ababa denied the charge and said U.S. policy was not to use food as a political weapon.

The Reverend Charles Elliott, former head of the Christian Aid charity, was quoted by The Observer of London on Sunday as saying that the United States "long hostility" to the regime caused them to refuse to release adequate funds for food.

West, OPEC Are Split on Sharing Cost of Agricultural Aid

By Stanley Meisler
Los Angeles Times Service

PARIS — The annual meeting of the International Fund for Agricultural Development has ended in failure, with oil producers and industrialized countries arguing about how to finance the agency for another three years.

All of the financial backers of the small United Nations organization, including the U.S. government, have praised its work in lending and granting money to increase food production by small farmers and help landless peasants around the world.

But the backers, including the

United States and the other industrialized nations of the West on one hand and the Organization of Petroleum Exporting Countries on the other, cannot agree on a formula that allocates the share of financing by each group.

Although the meeting that ended Friday in Paris provided no money for the three years beginning Jan. 1, the fund can continue for some months with the cash on hand in hopes that a compromise can be reached.

Under the plan presented by OPEC, the OPEC nations would contribute \$295 million for 1985 to 1987 and the Western industrial-

ized states \$465 million. The U.S. plan calls for OPEC to provide the same \$295 million but the West \$415 million.

Trying to work out a compromise will be the job of Idriss Jazary of Algeria, who has succeeded Abdelmounim M. al-Sudeary of Saudi Arabia as president. The fund has headquarters in Rome, but its governing council met in Paris this year at the invitation of President François Mitterrand, who wanted to draw attention to its work.

Nancy Gallup, a member of the U.S. delegation, said that the governing council had tentatively scheduled another meeting in early December to resume negotiations.

At the meeting last week, the U.S. government, supported by some industrialized countries, said they and OPEC should bear a more equal share of the cost. The industrialized countries now contribute 58 percent of the budget while OPEC contributes 42 percent.

Richard A. Dertam, an assistant

administrator of the U.S. Agency for International Development, says that the United States would prefer more of a 50-50 arrangement but would again accept the current formula.

OPEC, however, faced with a war between member states Iran and Iraq as well as decreasing prices for its oil, presented a plan that would result in a formula of a 61-percent contribution by the industrialized nations and a 39-percent contribution by OPEC.

Comecon Talks to Convene in Cuba

The Associated Press

MOSCOW — Prime Minister Nikolai A. Tikhonov left for Havana on Saturday to lead the Kremlin's delegation to a meeting of heads of government of the Soviet-bloc economic alliance, the official news agency Tass said.

The 10-nation Council for Mutual

and Economic Assistance, known as Comecon, convenes Monday in Cuba for its regular annual session.

Western diplomats in Moscow said they expected the session to include discussions on ways to improve the economies of Cuba, Vietnam and Mongolia to bring them into line with development in the rest of the Soviet bloc.

Nakasone Overcomes Revolt, Gets Party Approval for 2d Term

The Associated Press

TOKYO — Prime Minister Yasuhiro Nakasone of Japan, overcoming a minor rebellion within his governing Liberal Democratic Party, gained approval Sunday from senior party officials to lead the conservative party for a second two-year term.

Mr. Nakasone's re-election as party president will assure that he remains prime minister because of the Liberal Democrats' majority in the Diet, or parliament.

After more than seven hours of meetings Sunday at party headquarters, senior Liberal Democratic officials gave approval to Mr. Nakasone and accepted his pledge to work for party unity and reform

in his next administration. Shin Kanemaru, chairman of the party's executive council, said in a television interview.

Liberal Democratic members of the Diet are expected to meet early next week to formally elect Mr. Nakasone to a second term and set in motion discussions on who will serve in his next cabinet.

Mr. Nakasone, 66, became party and national leader in November 1982, succeeding Zenko Suzuki, who stepped down amid factional squabbling.

Mr. Suzuki, 73, was a central figure in a plan to replace Mr. Nakasone with a party vice president, Susumu Nakaido, according to Japanese news organizations.

The head of the second-largest faction in the governing party, Mr. Suzuki, was reportedly unhappy with Mr. Nakasone's dependence on the support of Kakuei Tanaka, a former prime minister who leads the party's largest faction.

Mr. Tanaka has continued to play an important role in Japanese politics despite his conviction in October 1983 for taking bribes to promote Lockheed aircraft in Japan. He has appealed the conviction.

Senior party leaders and executives met Saturday in an attempt to reach consensus on backing Mr. Nakasone's second term, but the meeting was devoted to criticism of Mr. Nakasone for failing to carry

out party reforms, meaning expunging the control of Mr. Tanaka.

Mr. Nakasone has generally done well in opinion polls and has gained a reputation for his skills as a diplomat and for having made Japan a strong partner in the Western alliance.

However, his party faction is only fourth largest, behind those of Mr. Tanaka, Mr. Suzuki and another former prime minister, Takeo Fukuda.

After the Liberal Democratic Party suffered a parliamentary election setback in December, Mr. Nakasone was forced by party elders to issue a statement saying that his government would not be unduly influenced by Mr. Tanaka.

However, he gave Tanaka faction members six posts in his 20-member cabinet, and Mr. Tanaka has recently suggested that he would like up to 10 cabinet seats if Mr. Nakasone is re-elected with his backing.

On Sunday, after six hours of meetings among party executives and faction leaders, Mr. Nakaido and three others widely regarded as contenders for the top party post stated that they were not candidates, paving the way for consensus to be reached on Mr. Nakasone.

The three are Foreign Minister Shintaro Abe; Kiichi Miyazawa, a former foreign minister; and Toshio Komoto, director-general of the Economic Planning Agency.

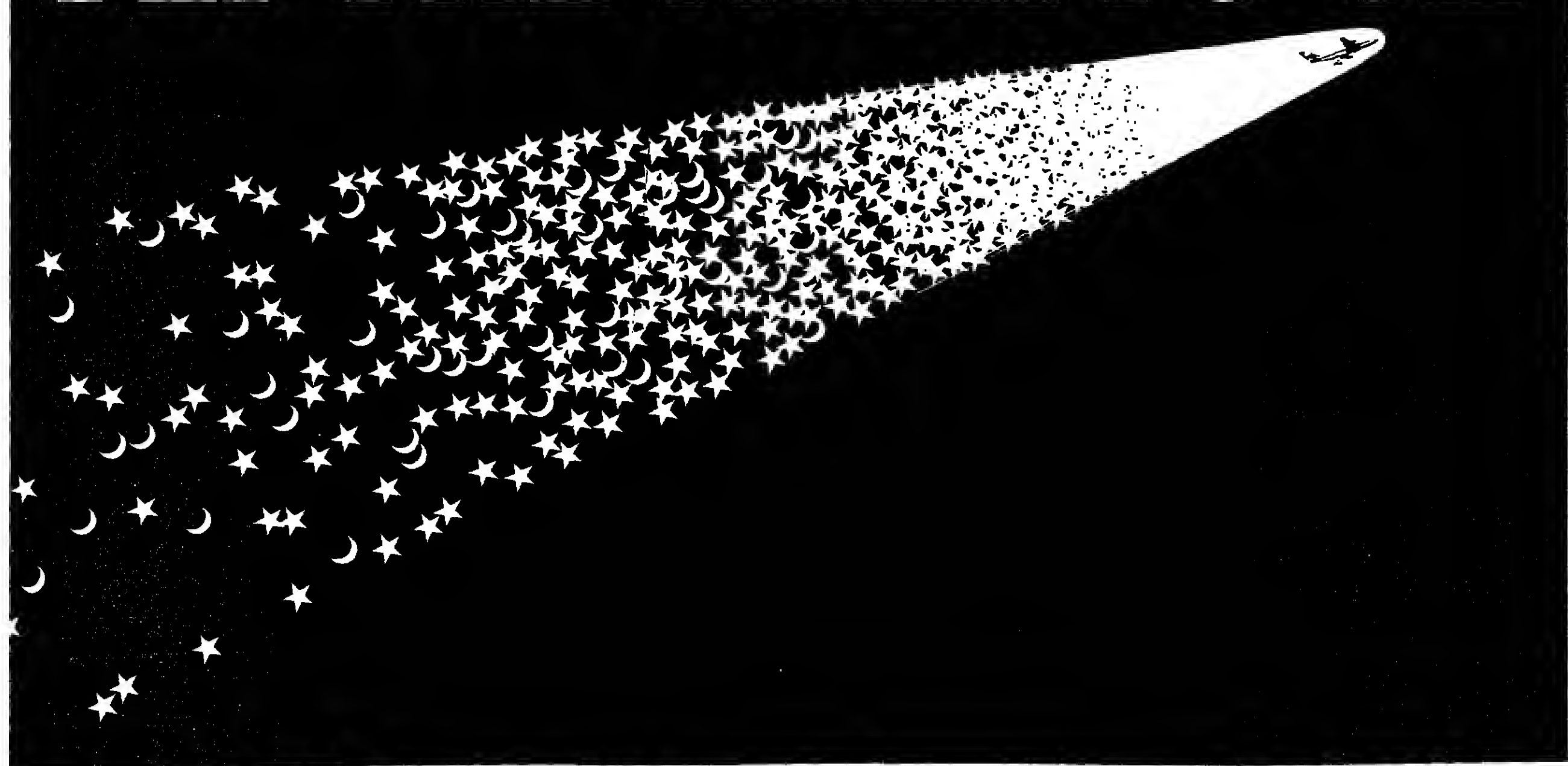
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SINGAPORE AIRLINES

Herald Tribune

Published With The New York Times and The Washington Post

Civility vs. Terrorism

Secretary of State George Shultz is a man preoccupied by international terrorism. He sees it as a general threat to world order, a direct challenge to American foreign policy interests and a specific danger to American diplomats. The U.S. Embassy in Beirut has been bombed twice on his watch, and threats to other diplomats abound. Mr. Shultz has led the Reagan administration's campaign against the domestic and international faces of terrorism from a position considerably out in front of other officials, including the president. On Thursday in New York he went out in front a step further, declaring that the United States should stop playing "the Hamlet of nations" and use force as necessary abroad, to pre-empt and to retaliate even if the evidence is not of "courtroom" caliber and even if American servicemen and innocent civilians are killed.

Mr. Shultz was on the mark in emphasizing intelligence, planning, coordination with allies and constant vigilance. This point was being underlined as he spoke by a new Senate report blaming the second Beirut embassy bombing on a "tragically simple" failure not to block access to the building. Mr. Shultz has a former marine officer's intense feeling of responsibility for the men under him who have died in Lebanon. It is easy to understand how someone who has failed to win full official sanction for his views may, in his most frustrated moments, see his country as an indecisive Hamlet.

But Mr. Shultz has gone too far. We have previously objected to the reach of some of the domestic anti-terrorism legislation he favored. Here we assert that he has simply not made the case that international terrorism is so immense

and overwhelming a menace that it compels America to—in the name of the rule of law—take the law into its own hands on foreign soil. This is so even in "gray areas" (Lebanon) where lack of a local authority and the existence of nearby sanctuary give terrorists play.

Who thinks terrorism of this sort can be extinguished by a bold strike or two, or that such strikes do not create new perils for other Americans? The secretary lauds Israel's example, but Israel is caught in a seemingly endless cycle of terror and counter-terror. Who believes America's friends, let alone its citizens, will stand still while the United States attempts to deter or punish terrorists in foreign countries, striking without a certain target and killing innocents in the process?

As for sanctions, Syria is a cause of some of the American agony in Lebanon, but Syria is correctly classified by Mr. Shultz's State Department now as "helpful" in steadying Lebanon. For similarly practical reasons, the department is about to resume diplomatic relations with Iraq, whose government was not long ago officially proscribed as a supporter of international terrorism. Then there is the embarrassing question of what the United States is supporting in Nicaragua.

Terrorism is hideous. So far for the United States, however, it is only one fear among many. It must be treated by means that do not add to the damages. One purpose of terrorism is to provoke democracies in cast aside their traditions of law and civility and to take on, in some degree, the manner of their attackers. No sensible democracy will let this happen.

—THE WASHINGTON POST.

A Message to Pakistan

Despite its periodic denials, Pakistan is obviously continuing to work on nuclear weapons technology. Pakistan's ambitions have raised concern for some time among governments that try to enforce the rules against nuclear proliferation. Last month, The Wall Street Journal reports, President Reagan wrote a personal letter to President Mohammed Zia-ul-Haq expressing "deep concern" that Pakistan's pursuit of these weapons could undermine relations between the two countries. It is an important and useful declaration. Through most of the past four years the White House has not visibly paid a great deal of attention to the dangers of proliferation. Mr. Reagan's letter is particularly welcome as an indication of increased interest in a kind of peacekeeping in which American leadership is crucial.

Of all the countries that are actively seeking nuclear arms, Pakistan presents the most complex questions to U.S. diplomacy. The guerrillas fighting the Soviet occupation in Afghanistan depend on an open border to the south; in the absence of at least tacit Pakistani cooperation, the prospects for the Afghan resistance movement would be poor. To the east, India's nuclear capability has become an incitement to Pakistan's claims to the point of obsession.

Beyond that there is the relationship between Pakistan and China. With great fanfare Mr. Reagan signed a nuclear cooperation

agreement with China during his visit there last spring, but he has not yet sent the agreement to Congress for approval. The administration has never explained this long delay, but the reasons evidently involve accusations that the Chinese have been helping Pakistan develop weapons. China vigorously denies it, so Mr. Reagan's handling of the nuclear agreement has become a central issue between the two governments. He may submit the agreement to Congress early next year, but that will require the administration to discuss Chinese-Pakistani nuclear cooperation at length.

Over the decades, many countries have considered an attempt to build nuclear weapons, and all but a few have abandoned the idea. Most have concluded, after careful thought, that they can protect themselves better through reliable alliances and friendships throughout the world. They have usually decided that the possession of these weapons would not leave them safer, but much less safe. Mr. Reagan has now warned Pakistan that its attempts to gain nuclear arms will inevitably affect the ties between its government and the United States, its most powerful friend and supporter. His letter is a contribution to the world's security and, whether they acknowledge it or not, it is an effort to strengthen the Pakistanis' security, particularly.

—THE WASHINGTON POST.

Diplomats Out of Line

Embroidered in a tough campaign for re-election, Senator Jesse Helms boasts of endorsement by 22 U.S. ambassadors. About that startling, unprecedented partisanship by representatives of all the people, Secretary of State George Shultz has made only mildly disapproving statements. He reminds them that their first duty is to the nation. In fact their behavior is inappropriate in the extreme, even for non-career political appointees.

Senator Helms held a press conference on Thursday at which he distributed the endorsement by the U.S. ambassadors to Mexico, France, Canada, Austria, Peru, Guatemala, Paraguay, South Korea, Barbados, Colombia, the Bahamas, Romania, Switzerland, Jamaica, Madagascar, Equatorial Guinea and Costa Rica, plus five others to international organizations. Two of them appeared with the North Carolina senator to extol his "strong, close relationship with the Reagan administration."

The State Department reiterates the "traditional" policy of discouraging ambassadors from "participation in partisan political campaigns." The reason for that tradition is obvious: No senator can set himself up as an authoritative voice for the nation abroad. When ambassadors take sides in elections, they send confusing messages to the world.

That is especially true in the case of Senator Helms. As energetically as he champions his state's tobacco industry, he lobbies for South Africa's white-supremacy regime and the violent right in El Salvador. He opposes ties with China and has done his best to thwart progress on arms control. Are those the views of the Reagan administration? Do the ambassadors endorse them along with the senator?

Senator Helms speaks for a faction. Ambassadors who ally themselves with that faction hamper their ability to represent the nation.

—THE NEW YORK TIMES.

Other Opinion

The Superpowers Change Tone

Erich Honecker of East Germany [has been] in Finland, Romania's Nicolae Ceausescu has left Bonn. In Paris, Hungary's Janos Kadar dismissed speculation on any crisis in the Kremlin leadership; it is a stable situation, he claimed, with a "joint and solid leadership." Wherever the center of gravity of that "joint leadership" may lie, it is a safe bet that Mos-

cow looks on all this travel activity with suspicion and mixed feelings. Nor is Washington accustomed to applaud too much European activity in international politics. Thus you can observe something of a new tone between the superpowers. Mr. Chernenko has given an interview in The Washington Post (10/17). In Washington the official reaction to Mr. Chernenko's statements has been cautious.

—Svenska Dagbladet (Stockholm).

FROM OUR OCT. 29 PAGES, 75 AND 50 YEARS AGO

1909: Till Croquet Do Us Part
LONDON — "I do not think there is any game which is so liable to put one out of humor as croquet," remarked Justice Renshaw in the Divorce Court [on Oct. 28]. The case in which he laid down this dictum was the suit for judicial separation which Mrs. Alice Mary Fearnley-Whittingstall brought against her husband, the Rev. Herbert Oakes Fearnley-Whittingstall, on the ground of his cruelty. It was alleged that the pastor frequently lost his temper, and his wife had stated that on one occasion when they were playing croquet he was so annoyed because she raised a question as to whether his ball had quite gone through a hoop that he did not speak to her for days.

1934: Military Budgets on the Rise
WASHINGTON — With leading nations shown to be spending more money for armaments than before the war, little hope for arms limitation is predicted in the report of the Foreign Policy Association, made public [on Oct. 28]. The report points out that "when it is recalled that unrestricted competition of armaments reached its apex during the decade before the war, these figures appear more significant." The report stated that current military budgets show that France is spending 25.8 percent more than it did in 1913 for armaments, Italy 26.3 percent more, Great Britain 48.8 percent more, the United States 109 percent more and Japan 38.8 percent more.

When Young Americans Back Reagan They Make a Point Worth Pondering

By Michael Barone

WASHINGTON — The biggest surprise of this election year has been that young voters are going heavily for Ronald Reagan. This was predicted by almost no one except a few Reagan scolders who were patting on the head and paid no further heed.

As recently as six months ago the Democrats were including young people on their list of target groups (blacks, Hispanics, women, etc.) for voter registration drives. But campuses and singles apartment complexes that once went for George McGovern are now pro-Reagan.

This might not come as such a surprise if you think about Walter Polovchak. As a 12-year-old in 1980, Walter refused to go back to the Soviet Union with his parents. They had migrated to America, stayed seven months and decided to return. But Walter liked things a lot better in Chicago than in the Ukraine and wanted to stay. His parents said no.

Walter, helped by both the Carter and the Reagan administrations, has been able to string out the court case. He lives on the northwest side of Chicago and looks forward to becoming a U.S. citizen next year.

Walter Polovchak learned about the United States in a flash in 1979 and 1980. Most new voters this year learned about America in a flash at just about the same time. Walter liked the America he saw. So did most young Americans, and they plan to vote for the candidate who best seems to share their feelings.

What about your impulse to rebel against things they are? Why aren't these young people rebelling? The answer is that they are. Walter Polovchak rebelled quite explicitly against parents who wanted to take him back to the Ukraine. And the new half-generation of voters are rebelling against the old politics.

This rebellion has sometimes, not least in Reagan campaign propaganda, been shown as a rebellion against the Carter administration and Democratic liberals. These new voters, it is said, have only really known two presidents, Mr. Carter and Mr. Reagan, and they prefer the latter.

Perhaps. But what the young voters are rebelling against is not simply one man or his government; it is an attitude about politics and government and country, an attitude exhibited by both liberals and conservatives, politicians and ordinary people. There was extreme cynicism and pessimism in the late 1970s. When pollsters asked Americans whether their country was going in the right direction or was on the wrong track, numbers on the order of 72 percent said "the wrong track." Politicians, reading such polls, echoed those feelings; the negative feelings echoed and reverberated year after year.

Yet was the United States really in such bad shape? As the young Americans of the late 1970s and early '80s looked around them, they saw, with more clarity than their elders, a country that was prosperous, generous,

These young people are rooting for the good guys.

They saw around them was unthreatened by war, had no draft and was obviously prosperous.

They heard civil libertarians talking of repression. But they found pornography, drugs, abortions to be freely — excessively — available.

The political dialogue of the late 1970s was written by operatives entranced with theories of alienation and malaise. From the tone of political debate, and from the lamentations of voters themselves, you might have thought that Americans were

living in the Central Europe of the 1930s. But to young Americans seeing their country afresh, as Walter Polovchak did, this was not true.

So the Polovchak generation has been rooting for America — in Grenada, at the Olympics and in the Reagan campaign.

To some of their not-so-elders, who remember what can happen when patriotism is carried too far, this seems threatening and mindless. Yet who can deny that the United States is, despite its defects, in important ways morally preferable to the Soviet Union? These young people probably more than the ones who rooted for the Vietnam — are rooting for the good guys.

The Democrats had a chance in the Carter years to hitch a ride on the optimism and confidence that have followed the undue pessimism and negativity of the 1970s. They blew it. Now it is the turn of the Republicans and Mr. Reagan, a politician so optimistic he was singing this tune even when it did not ring true.

The members of the Vietnam-and-Watergate generation — the baby-boom generation — should ponder the case of Walter Polovchak. Didn't he make the right choice?

The Washington Post.

'Those Things Which Make a People Self-Respecting'

By James Reston

WASHINGTON — In the last days of the presidential election campaign, the bad news for the Democrats is that despite the debates and a massive registration drive, the polls indicate that President Reagan's long lead is holding steady.

For the fourth presidential election in a row, the Democratic nominee has actually lost ground during the campaign. Walter Mondale came reasonably close in the president after the first debate, but after the second the president was leading by at least 12 points — about where he was before losing the first debate.

The Republicans had a particularly clumsy week. The president virtually invited U.S. soldiers of fortune to join the war against the Nicaraguan government. Secretary of State Shultz proposed the use of U.S. military force against terrorists, even at the risk of killing innocent civilians. And 22 U.S. ambassadors broke the first rule in the diplomatic book by endorsing the re-election of Senator Jesse Helms of North Carolina. All this was against either law or custom, but the president moves blithely on.

The explanation is fairly obvious. The economy is acting as if it were run by the Republican National Committee. Inflation is down to about 4.5 percent. In the 1982 congressional elections, unemployment was running below 10 percent in 20 states; now this is true of only four.

Mr. Reagan has been telling the people it is their destiny under his leadership to be proud, strong, pros-

perous and at peace. While the plight of the poor at home and abroad has been muffled in hypocrisy, he proclaims that the Republicans are the party of lower taxes and the Democrats the party that taxes the many to provide handouts for the few.

Mr. Mondale found his voice the other day and took a wholly different line. "We must bear one another's burdens," he said. "We must rejoice together, mourn together, labor and suffer together. We must be knit together by a bond of love. And so may it always be in America. Let's be a community, a family where we care for one another. Let us end this selfishness, this greed, this new championship of caring for yourself."

Mr. Mondale's fortunes are down, but his crowd are up; these echoes from New Deal days are well received. But it is very late, and the evidence is that Reagan promises of personal well-being are closer to the national mood than is Mondale's offers of mutual aid and sacrifice.

It seems that Mr. Reagan has not only accurately interpreted the present mood of self-indulgence and acquisitiveness, but has helped create it by his attacks on government and his pleasant fantasies about the future that he has helped burden with intolerable debt. The polls clearly indicate that a majority of the people are also living for the day and for themselves.

But at the same time there is an underlying anxiety about national



'I said it looks as if that Reagan kid will win again.'

life and the children's future. Even the president senses this from time to time and suggests we might remedy it by abolishing abortion and having the children pray in the schools.

This mood of drift and hallucination will pass, as it did at the end of the 1920s. We see some hope in the rising opposition to drug use, in the fight against drunk driving and abuse of wives and children, but it is probably not in time to help Mr. Mondale.

The majority is sovereign, but not always right. There is a remnant, maybe even a large minority, that is not satisfied with contrived tricks-or-treats politics. As Walter Lippmann

wrote in the presidential campaign of 1932: "They are looking for new leaders, for men who are truthful and resolute and eloquent in the conviction that the American destiny is to be free and magnanimous, rather than complacent and acquisitive; they are looking for leaders who will talk to them not about two-car garages and a bonus but about their duty and about the sacrifices they must make, and about the discipline they must impose upon themselves, and about their responsibility to all the world and to posterity; about all those things which make a people self-respecting, serene and confident. May they not look in vain."

The New York Times.

What Can Presidents Do?

By Eric Schwarz

WASHINGTON — President Reagan espouses values that many young people want to believe in: economic progress, good jobs, America's rightness abroad.

Why don't students adopt the world view of a Walter Mondale? One student told me he was "rebelling against the negativism" of campus liberals. Another said she wanted a "rest from the protests and confusion" of the past. I think some in my generation resent the "big picture" questions raised by the protests of earlier students. Our world, students

seem to say, is confusing enough without having to grapple with the morality of America's role in every country around the globe.

We can, however, seek to control our own careers, and perhaps be confident that a good job will bring a measure of happiness.

Other students I have met plan to vote for Mr. Reagan, even if they disagree with him on important issues, because the experience of recent years has convinced them that a president really cannot affect their lives all that much. Mr. Reagan, students reason, is at least a pleasant leader; so why vote for Mr. Mondale if he won't be able to do anything better?

Jack Kennedy, your parents and teachers say, inspired people and tried to do great things. He was shot.

In 1964 Lyndon Johnson ran on a peace platform telling the people his opponent would endanger American lives. He got in office and escalated the Vietnam War, which cost the loss of thousands of American lives.

Richard Nixon, like him or not, seemed to get a lot of things done, principally in foreign policy. He was thrown out of office for breaking the rules. His successor, Gerald Ford, appeared to do nothing.

In 1976 Jimmy Carter was elected, but no listened to him. He seemed always to change his mind on what he wanted to do. When he did make a decision, he couldn't get it done.

Mr. Reagan was elected to shrink the deficit and get the government out of people's hair. Now the deficit has tripled and he wants to further regulate alcohol, restrict the use of contraceptives and ban abortions. So he appears as just another politician, albeit one with an alluring image.

Mr. Reagan is called the most powerful man in the world but abortions are still legal, as they have been since today's students reached puberty, and I have never met a college student who couldn't get a drink. The message is simple: Presidents usually don't do what they say, and when they try to do what they say they often don't succeed.

The writer graduated from the University of Vermont last June and worked in the campaign of Gary Hart during the summer. He contributed this comment to The Washington Post.

LETTERS

Poles Distrust Mondale

I have just returned from a 10-day stay in Poland. From Warsaw to Krakow, I was amazed to find that people I met from varied walks of life — taxi drivers, waiters, porters, students, a history professor, a university librarian, a curator at the National Museum — are praying for a Reagan victory, as they do not trust Walter Mondale's "let's be friends" attitude toward the Russians. One of those people, who had recently been to the United States, had begged his friends there not to vote for Mr. Mondale.

People in Poland want Mr. Reagan's re-election. They presumably have a better insight into the mind of their Russian masters than Walter Mondale and Geraldine Ferraro.

EMANUEL FARLOW,
Paris.

Home of Mozart's Barber

If Mozart's barber lived in Seville, as your Oct. 12 crossword clue seems to suggest, we may have the explanation for why our Wolfgang is generally portrayed wearing a wig.

CHRISTOPHER WANKLY,
Marquette, Michigan.

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92000 Neuilly-sur-Seine, France. Telephone: 747-1265. Telex: 612718 (Herald). Cables Herald Paris.

Directeur de la publication: Walter N. Thayer.
Ansa Headquarters: 24-24, Hemeny Rd., Hong Kong. Tel: 2-285618. Telex: 61170.
Managing Dir. U.K.: Robin MacKinnon, 63 Long Acre, London WC2E 9LT. Tel: 436-4802. Telex: 262009.
S.A. au capital de 1,200,000 F. RCS Nanterre B 732021126. Commission Paritaire No. 61337.
U.S. subscription: \$280 yearly. Second-class postage paid at Long Island City, N.Y. 11101.
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By Henry A. Kissinger

U.S. Must Take the Lead in Revamping World Trade Policy

THE annual meeting of the International Monetary Fund and the World Bank in Washington dealt with a number of urgent current problems, focusing on international debt. There was a sense of optimism, but the decisive international economic problem and the deepest cause of international disorder was hardly mentioned.

This problem is that even though the world economy is global in nature, decisions affecting it are taken on the basis of national domestic politics.

In the 19th century, when industrialization first developed, the rules of the game were set by a very few countries that held similar philosophies and were run by restricted suffrage. Governments acted on the premise that the economic sphere was beyond their power or even competence. The accumulation of capital was left to the operation of the market. The gold standard, to which all major trading nations subscribed, provided the mechanism of adjustment.

All this had the advantage of automaticity. Politicians could either accept the gold standard or reject it. But once that decision was made, they were forced to conform spending, taxing and monetary policies to its discipline.

None of these conditions exists today. Japan has long since joined the major economic powers. China, Brazil, India, Korea, Mexico and Indonesia, to name just a few, insist on participation in reshaping the rules that affect their economic destinies, and hence their political destinies.

Suffrage in most economically important countries has become universal; voting publics everywhere insist

that governments assume responsibility to alleviate suffering and to improve the quality of life.

For this reason, officials today, unlike their 19th century counterparts, demand direct control over the economic policy levers in order to achieve immediate political goals. There is a premium on short-term approaches; leaders are tempted to defer action until it is unavoidable, and to shift their economic problems to other countries for as long as possible.

For the first time the world economy has become truly international. At the same time, tax, spending,

practice systematically impede it. Clearly important political realities are at work.

The free trade theory was developed when Britain had an effective monopoly on industrialization and a large advantage in the generation of energy based on coal. There is no doubt that free trade benefits a country that enjoys such a comparative advantage. This state of affairs continued for a while after other European states industrialized. Cultural homogeneity prevented any country from achieving a unilateral advantage. Colonial empires cushioned the shock of competition.

In our period, there are over 20 major trading nations. Their wage scales and cultural backgrounds are dissimilar. Some nations, especially in Europe, are unable to compete with substantially lower standards of living, at least in industries that use a great deal of labor. Thus whole sectors of industry move from one country to another, indeed from one continent to another.

The management of the debt crisis also poses threats to free trade. A key provision of every adjustment program by the International Monetary Fund requires the debtor country to limit imports and to encourage exports. This evokes the very protectionist practices free trade theory deplors. Moreover, it is by definition impossible for every nation to pursue such a strategy.

The limitation of imports must be at somebody's expense, especially if coupled with the systematic promotion of exports. And to the extent the strategy works, and the debts are paid by export earnings, developing nations wind up transferring real resources to the industrialized ones, the precise opposite of what is needed for global development.

Two results are probable: Either the structure will collapse because there is simply not enough demand, for the level of exports required by the developing world. Or these export surpluses will be sustained on a temporary basis by extremely unfavorable trade balances in a very few countries, especially by the United States.

The U.S. trade deficit is officially forecast to exceed \$120 billion this year, a level unimaginable until very recently. Such a situation will sooner or later drive the U.S. government to take protectionist steps. In short, protectionism, trade restraint and unfair policies are on the march everywhere.

A paradox follows from these considerations: for free trade to work, governments committed to it must to a degree retreat from complete laissez-faire. Just as the U.S. economy adopted measures to promote and regulate competition, such as antitrust and banking regulations, so international rules are needed to avoid monopolies, restrict dumping, inhibit export subsidies, eliminate predatory practices and prevent excessive uncertainties. Otherwise, the system will eventually collapse into trade wars and be overwhelmed by the political process.

To state these principles is to illustrate how far theory and practice diverge. In such circumstances one or the other must give way.

THE two opposite poles of international conduct are demonstrated by the two largest economic powers: the United States and Japan. The United States remains formally committed to free trade, but it lacks a coherent strategy to deal with protectionist and mercantilist measures of other nations. Hence, in practice U.S. trade policy is a series of disconnected ad hoc decisions taken largely in response to the specific complaints of politically powerful interests most directly affected. These are by definition usually the least competitive sectors. So long as

the impetus behind policy is the desire to reduce the pain, the result can only be the promotion of the common good of either the United States or of the world economy as a whole.

Japan has chosen the opposite course. It makes little pretense that its foreign economic policy is guided by the free play of market forces. Instead, the Japanese economy is geared to administer the trade system to the national advantage. Government ministries help establish industrial priorities, negotiate favorable terms for Japanese exports and manipulate the exchange rate for the yen to favor Japanese exports.

Japan is widely criticized for acting counter to existing economic theory. In fact, it is possible to argue that it is simply playing the de facto game more systematically and with greater coherence than anyone else.

It follows that the United States, and the world, have two fundamental options. My strong preference would be for a system of liberal trade firmly based on far-reaching national commitments to stop unfair practices and to maintain markets. This would require a major act of U.S. leadership.

In 1944 the United States threw its weight behind building international institutions that promoted growth for a generation. The spirit that produced the Bretton Woods agreements reflected the realization that in the long run the national welfare can only be sought in the general welfare.

This means that new and binding international rules need to be established to encourage foreign investment and to define codes of conduct for multinational corporations. These rules should apply as well to international trade in services and perhaps even to immigration.

Something like The International Trade Organization, which was proposed by Bretton Woods but proved stillborn, should be revived. It should be given authority to act against restraints on trade and investment as well as predatory trade practices. The newly industrialized nations, like Brazil or Mexico, should be drawn into more active participation.

Such a policy should be pursued with conviction but also without illusion. Despite the best efforts of statesmen, the attempt may fail. In that case, the United States cannot afford to be the only country practicing free trade in an increasingly mercantilist world. If the United States is driven to it, the United States can, however reluctantly, do well at the game of unilateral trade practices and bilateral agreements.

In a world of trading blocs, the United States should be able to construct a trading bloc composed of the major Latin American nations, Canada, and probably Australia and New Zealand. Preparation for this partnership should influence U.S. trade and debt policy, especially toward the nations of the Western Hemisphere.

At some point, the sheer weight of the United States, in cooperation with like-minded countries, managing its foreign trade interests with determination and vision will probably convince the rest of the world — to put it politely — of the need for more coordinated trade and economic policies. The United States would then have achieved a more coherent world trading system by the back door.

Most of the American public still view the United States as being relatively unaffected by international economic developments. The United States must recognize the urgent need for a deliberate strategy. Otherwise chronic international instability will, in time, undermine U.S. prosperity.

Dramatic U.S. leadership is required, preferably to promote a world of free trade. But if this proves unattainable, then it should organize itself for the world of trading blocs.

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Continuing Battle for Social Justice Promised by Leader of Jesuit Order

By Kenneth A. Briggs

New York Times Service

NEW YORK — The head of the Jesuit order says he strongly supports Latin American theologians and church workers who seek to promote social justice. He says the teachings known as the theology of liberation must be "recognized as possible and necessary."

The Vatican recently criticized some elements of liberation theology as relying too heavily on Marxist analysis, but it affirmed the church's fight against oppression in Central and South America.

The Reverend Peter-Hans Kolvenbach, chosen as superior general of the Jesuits a year ago, said in

an interview in New York last week that the order would continue to aid efforts for social justice in Latin America.

The 55-year-old superior general expressed some disappointment with what he described as negative aspects of the Vatican document, issued Sept. 3. He said he expected a second statement on the subject in the near future to be much more positive.

Cardinal Agostino Casaroli, the Vatican secretary of state, announced last week that the coming statement would stress the need for social action by the church.

Father Kolvenbach, emphasizing that several variations of libera-

tion theology exist, said there might be situations where it was "absolutely necessary to use the terminology of Marxism" to explain social and economic conditions.

As an example, he said: "You cannot say you should never use a term like the 'struggle of class.' It's something that exists."

Use of such terms, however, "should not be done with a Marxist interpretation but with a Christian one," Father Kolvenbach said. Marxist concepts such as class warfare and historical materialism cannot be used to justify Christian action, he said.

The Jesuits have proclaimed a joint mission of faith and justice. Many have taken a leading role in advancing theologies of liberation, which attempt to apply church teachings to the problems of social justice in Latin America.

Father Kolvenbach said nuns, priests and others pressing for social justice could find ample warrant for their actions in recent Roman Catholic Church teachings.

Though Jesuits have drawn fire for their liberating social activism, Father Kolvenbach said emphatically that the order would continue on its social mission.

The Vatican's faulting of aspects of liberation theology came just days before one of its leading proponents, the Reverend Leonardo Boff of Brazil, was questioned in Rome by the Congregation of the Doctrine of the Faith.

Father Boff was understood to be one of those whose works were being called into question by the document, but no action has yet been taken against the Franciscan friar.

Managua Accuses CIA of Bribe Offer

Los Angeles Times Service

MANAGUA — Interior Minister Tomás Borge has charged that the CIA offered a Nicaraguan official \$3,000 a month to defect and to accuse the Sandinist government of planning fraud in the Nov. 4 elections.

The U.S. agency did not know that the official was a double agent for Nicaraguan intelligence, "deliberately introduced into the ranks of the enemy," Mr. Borge said at a news conference Friday.

According to Mr. Borge, the agent, Horacio Arguello Carazo, worked as legal adviser to the Finance Ministry at the end of 1982, when he was approached by officials of an unidentified European country. "Officials who were linked to the Central Intelligence Agency of the United States."

U.S. Urged to Reject Injectable Contraceptive

New York Times Service

WASHINGTON — An advisory board to the Food and Drug Administration has recommended that the drug Depo-Provera, an injectable contraceptive that is effective for at least three months, not be approved for general marketing in the United States.

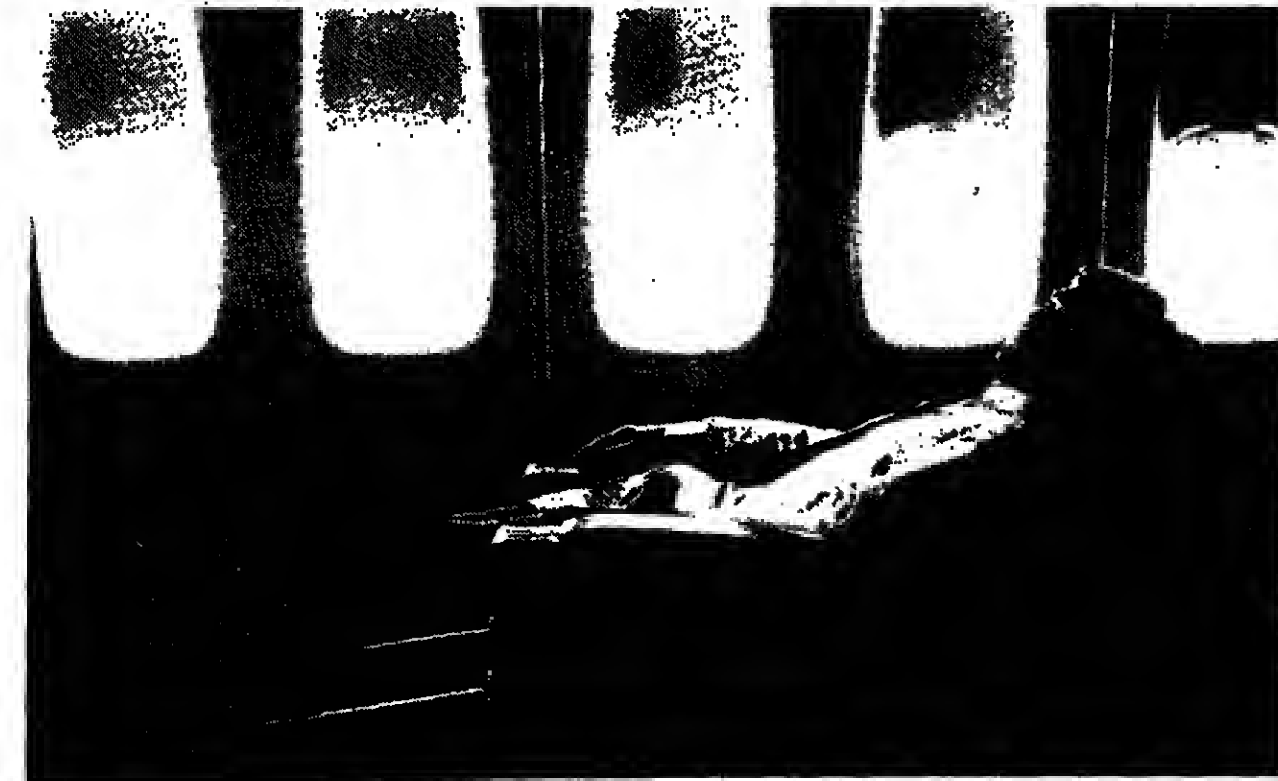
The drug, manufactured by the Upjohn Co., currently is used in more than 80 other countries.

Civil Trial for Argentine Junta

New York Times Service

BUENOS AIRES — Nine former leaders in Argentine military governments accused of murder and torture will be tried in a civilian court but under the military code of justice, the chief judge Jorge Torlasco, said last week.

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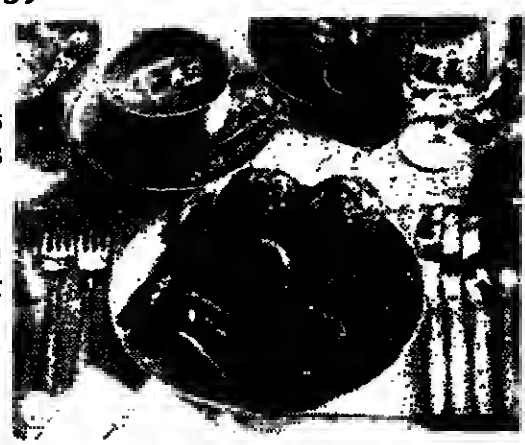
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EUROBONDS

Supply Outstrips Demand
But New Issues Launched

By CARL GEWIRTZ

International Herald Tribune

PARIS—Supply of new dollar issues ran ahead of demand in the Eurobond market last week. But bankers, convinced the setback was only a pause to be expected after the recent big rally, continued to launch new issues.

The turn in investors' mood was triggered by late Thursday's news of a \$1.8-billion rise in the U.S. money supply — a figure that was larger than many analysts had expected — and a warning from Salomon Brothers economist Henry Kaufman that the current drop in interest rates is only a "pleasant interlude" that will eventually succumb both to the underlying pressures in the economy and to related financial developments.

The market reaction itself was testimony to the prevailing mood of uncertainty. Has the Federal Reserve finished easing policy, which has triggered the month-long bond market rally, or will it resume after next week's election?

And almost as important, are oil prices headed lower as nearly everyone was predicting a week ago, or will OPEC succeed in pushing the price back to its former level as seemed possible at week's end?

The only thing that was certain last week was that doubts about the future obviously did not disturb investment bankers. Their inventory of paper had been run down during the rally so they have plenty of room to take on new stock. In addition, doing so is ever more profitable as short-term interest rates (the cost of financing bond holdings) are dropping faster than long- or medium-term rates (the income received from such holdings).

Investor uncertainty about the future drift of interest rates was evident in the new rush to buy floating-rate notes, whose coupons are periodically readjusted to reflect money-market conditions, and by the waning enthusiasm to buy warrants, which are options to buy fixed-coupon securities.

THE warrant market consists of three parts: an issue of fixed-coupon securities, the warrants attached to them, and the fixed-income securities which the warrants can buy. Bankers admit confidentially that the current price of warrants is too high — interest rates would have to fall significantly for the price paid to exercise the option to be attractive.

At the same time, demand is drying up for the original, or so-called host issue. Usually, after the warrant has been stripped away to trade separately, the value of the host issue falls to a discount. Bargain hunters then move in to buy that paper, looking to lock in a sure capital gain when the issue is redeemed at par or an even bigger capital gain if, before maturity, rates tumble and the price of the bond climbs.

But the potential capital gains to be made have now become severely restricted due to some newly coined fine printing in the prospectuses. In effect, the host issue is to be redeemed in lock

(Continued on Page 11, Col. 1)

GM, UAW
Have Pact
In Canada

Tentative Accord
Differs From U.S.

By John Holusha

New York Times Service

TORONTO — Bargainers for General Motors of Canada and the United Auto Workers have reached a tentative agreement on a new contract after 31 hours of continuous bargaining.

The accord Saturday afternoon came after 10 days of a strike by the 36,000 Canadian workers that led to more than 40,000 layoffs in the United States because of shortages of parts.

The Canadian agreement differs from the one recently ratified by GM workers in the United States. The Canadians will receive wage increases in each year of the three-year contract, in contrast to the lump-sum payments in the second and third years under the union-GM agreement in the United States. However, the Canadian pact does not contain the job security and profit-sharing provisions of the U.S. contract.

Robert White, director of the Canadian UAW, said the agreement "recognizes Canadian realities." He said ratification votes throughout the country were scheduled for Monday, indicating that Canadian factories could resume production on Tuesday if the agreement is approved by the union membership.

But a spokesman for GM in Detroit said last week he was not sure how long it would take to get U.S. factories operating once again.

In the negotiations, the union demanded increases in the base wage rate and the company insisted on lump-sum payments. Mr. White said the key compromise that settled the difference was an agreement to put most of the raises into the cost-of-living adjustment.

Canadian workers will get a scaled wage increase of 1 to 3 percent in the first year, for an average of about 2 1/2 percent, he said. This is in addition to increases in cost-of-living adjustments.

Chicago Pacific Chief Leads Firm
Into \$1.6-Billion Fight for Textron

By Steven Greenhouse

New York Times Service

CHICAGO — For the third time in five years, Harvey Kapnick, the chairman of Chicago Pacific Corp., finds himself in the middle of a fight.

The last two times, he was engaged in intramural battles, and he ended up getting ousted. In this battle, however, he is leading Chicago Pacific in an effort to acquire Textron Inc., a larger and much better known company, for almost \$1.6 billion.

Mr. Kapnick, 59, who became Chicago Pacific's chairman last June when it emerged from the reorganization of the bankrupt Rock Island Railroad, said he hoped that his company's \$43-a-share offer would go forward "in a united and cooperative way." But Textron, the industrial conglomerate based in Providence, Rhode Island, has called the offer "completely unacceptable."

"I don't know anyone who likes a fight, but he is not one to shy away from them," said Duane Kullberg, chairman and chief executive officer of Arthur Andersen & Co., the major Chicago-based accounting firm.

Mr. Kapnick held that same position at Arthur Andersen from 1970 to 1979 and shepherded its growth from 3,000 employees to 18,000. He fought with the Securities and Exchange Commission, pushed the accounting profession to reform its rules, made Andersen the first accounting firm to disclose its own finances, and set up a "public review board" of prominent outsiders to monitor Andersen's operations.

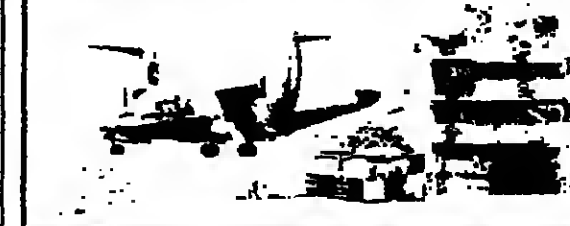
Some critics and competitors disparaged his initiatives as mostly public relations, but no one ever accused Mr. Kapnick of being dull. "He's a real dynamo; he's not always right, but he's never in doubt," Russell E. Palmer, dean of the Wharton School, said. At the time, Mr. Palmer headed Touche Ross & Co., a rival accounting company.

Mr. Kapnick's tenure at Andersen was cut short, however, after he argued that a conflict of interest existed when an accounting firm did both management consulting and auditing. In

How Chicago Pacific Compares With Textron

| 1983 data in millions of dollars | Chicago Pacific Corporation | Textron Inc. |
|----------------------------------|-----------------------------|--------------|
| Revenues | \$89.1* | \$2,079 |
| Net Income | \$1.8 | \$8.7 |
| Total Assets | 407.9 | 2,108 |
| Shareholders Equity | 188.1 | 1,240 |

*Revenues, interest and gains from operations



Textron manufactures Bell helicopters and components for the manned maneuvering pack used by astronauts.

sharp disagreement with many of the firm's partners, he vigorously urged that the firm spin off its consulting practice. The partners ousted him in 1979.

"I'd describe him as a very aggressive, very strong-willed individual, who once committed to an object, is very tenacious about seeing it through," Mr. Kullberg said.

Mr. Kullberg praised Mr. Kapnick's management in expanding the company's operations overseas, but several people who worked with Mr. Kapnick said his "hard-charging" style had alienated too many of Andersen's partners.

His second big fight occurred in early 1980, soon after A. Robert Abboud, then chairman of Chicago Pacific Corp., the bank holding company, appointed Mr. Kapnick deputy chairman. The two men often clashed and this

led finally to the departure of both. Nevertheless, Mr. Abboud says of Mr. Kapnick, "I have a high regard for his abilities." Textron's management knows it has to dig in hard to resist Chicago Pacific's overtures. Textron, which makes Bell helicopters, Boeing's mainstay, home-life chain saws and Jacobsen lawn mowers, has retained Morgan Stanley & Co. for advice. It has also hired Skadden, Arps, Slate, Meagher & Flom, a New York law firm expert at anti-takeover strategies.

Chicago Pacific, whose assets total \$300 million in cash and several hundred miles of railroad track and land, is being ambitious in seeking to take over Textron, with \$2.1 billion in assets. "My ultimate goal right now," Mr. Kapnick said, "is to see a transaction with Textron, and to

(Continued on Page 11, Col. 4)

OPEC Ministers
Split on Output,
Price Structure

By Bob Hagerty

International Herald Tribune

GENEVA — Oil ministers from the Organization of Petroleum Exporting Countries open a meeting here Monday with differing views on how to prop up oil prices.

The disagreement centers on price "differentials" and, to a lesser extent, the size of planned cuts in production.

OPEC's market-monitoring committee met Sunday evening and, as expected, recommended a cut in production. But the four-member committee did not specify the extent of the proposed reduction.

Ministers from all 13 OPEC countries, joined by observers from Egypt and Mexico, are scheduled to begin a "consultative" meeting Monday. OPEC, which supplies about 40 percent of the oil consumed in the non-Communist countries, hopes a temporary cut in production will reverse the recent decline in prices.

The oil market, which has been weak since last spring, was jolted two weeks ago when Norway, which is not an OPEC member, acknowledged that it had reduced its prices by about \$1.50 a barrel. Britain, also outside the OPEC fold, responded with a cut of \$1.35 on most of its crudes. That move in turn prompted Nigeria to reduce its prices by as much as \$2 a barrel without waiting for approval from its OPEC partners.

The price cuts reflected weak demand for high-quality light crudes. The premium that buyers are willing to pay for such crudes has shrunk in recent years because improved refining methods allow refiners to make better use of cheaper heavy crudes.

This change in demand has left OPEC's official prices for light crudes too high in relation to the prices for heavy crudes. Under the official price structure, for instance, Arab heavy crude is supposed to sell for \$3 less than Arab light.

Oil traders say a more realistic differential would be around \$1.50. To sell their light crudes, OPEC

countries have resorted to various "verbal" discounts from official prices.

Alluding to such unofficial discounts, Nigeria's oil minister, Tani David-West, suggested at a news conference Sunday that his country was merely being open about price cuts that other OPEC states disguise. "This is a crowd you have to carry: being honest," Mr. David-West said.

Other OPEC ministers pointed to the difficulty of agreeing on a new range of official prices. If the gap between light and heavy crudes were narrowed, the producers of heavy crude would find their oil harder to sell. In addition, market demand for various grades of crudes fluctuates, making it difficult to set any rigid price list.

Oil Ministers Subroto of Indonesia and Bekkaram Nabh of Algeria both said they did not believe OPEC should try to solve the problem at this meeting. Instead, Mr. Subroto said, the priority should be on cutting production and pushing all prices up, allowing OPEC to maintain its benchmark price of \$29 a barrel for Arab light crude.

But Mana Said al-Oteibi, the oil minister of the United Arab Emirates, said that action on the pricing problem was "part of the deal" planned by OPEC ministers.

The UAE has had trouble selling its light crudes and has threatened to trim prices unilaterally if OPEC does not readjust the official prices.

"I am coming [to Geneva] with my problem of differentials and it has to be solved, and if there is no solution I will solve it myself when I go home," Mr. Oteibi said.

Mr. Oteibi, as chairman of the market committee, said it was recommending that this week's conference "deal with the differentials and find the right solution." Mr. Subroto later agreed that the issue should be addressed, but he declined to say whether a solution was likely at the current meeting.

The other major question is how far to cut production. Saudi Arabia, which is expected to bear the lion's share of the cut, has said it favors a modest reduction.

(Continued on Page 21, Col. 5)

U.S. Growth Slowdown Raises Recession Worries

By John M. Berry

Washington Post Service

WASHINGTON — The pace of the economic expansion has slowed so dramatically this fall that forecasters suddenly are asking themselves whether the slower growth will turn into something worse — another recession.

So far, virtually all of them are still betting that a recession is not in the cards for the next few quarters, but their worries are growing. After a glowing first half of 1984, in which the gross national product grew at an 8.6 percent annual rate, after adjustment for inflation, things suddenly turned sour.

Everyone had expected somewhat slower growth in the second half of the year. Indeed, the Federal Reserve deliberately tightened its monetary policy stance last spring precisely to cool off the expansion, which its policy-makers thought was so strong that it would generate higher inflation before long.

But few, if any, forecasters had counted on such a decisive turn toward slower growth and they are pouring over all the latest economic statistics, examining every nuance for clues about where the economy is headed.

Consumers suddenly became so cautious that even with a substantial increase in personal consumption spending in September, the average for the whole quarter was hardly changed from the second. Retail sales last month were only slightly higher than they were at the end of 1983 and industrial production fell for the first time in nearly two years.

Forecasts for GNP growth this quarter range from about a 2 percent rate all the way up to 5 percent, an unusually wide spread for a quarter already under way. GNP measures the total value of goods

and services, including income from foreign investments.

There is much more agreement that inflation, which despite the rapid economic expansion has not accelerated very much, will remain about where it is or perhaps creep up a little next year.

Even some of those economists

difficult for them to buy housing and other big-ticket items," Mr. Kellner continued.

"Job creation, which has already slowed somewhat, will slow some more; this, too, will cut into growth of consumer spending. And of course, a good part of these demands will be met by imported

merchandise while the dollar remains strong.

"The point to remember is that as long as inflation and inventories remain modest, neither the Federal Reserve nor the private sector will step on the brakes. Thus, the current slowdown is unlikely to develop into a recession — at least not yet," Mr. Kellner concluded.

A handful of economists, including some to the Reagan administration, continue to believe that growth hardly will be diminished next year. The official forecast is for 4 percent real growth during 1985, but there is still some pressure being exerted for a higher figure, perhaps as much as 5.5 percent.

History is on the side of those who do not expect a recession at this point. Economist Alan Greenspan of Townsend-Greenspan & Co. told his clients recently that most post-World War II slowdowns were "not the beginning of a recession, but rather a pause which was followed by a re-acceleration in the growth rate."

Mr. Greenspan, more optimistic than most forecasters, expects real GNP to be up 4.3 percent in 1985 and 3.3 percent the following year.

(Continued on Page 21, Col. 5)

Fundamentally, forecasters don't see an imminent recession because there are few of the usual economic imbalances that usually lead to one.

Currency Rates

Official foreign exchange rates on Oct. 26, excluding fees.
EDT.

| | \$ | £ | DM | FF | Y | Sc | S | Y |
|-----------|--------|--------|---------|---------|--------|--------|---------|--------|
| Amsterdam | 3.2225 | 4.182 | 112.78 | 36.75 | 137.48 | 137.48 | 137.48 | 137.48 |
| Bombay | 11.265 | 74.88 | 20.1975 | 6.3575 | 3.2575 | 17.90 | 24.64 | 24.78 |
| Frankfurt | 3.306 | 3.7075 | — | 32.99 | — | 88.68 | 4.954 | 121.95 |
| London | 1.2802 | — | 3.7441 | 11.2645 | 2.8140 | 6.778 | 73.945 | 3.842 |
| Madrid | 1.6840 | 2.2010 | 626.69 | 202.19 | 588.89 | 30.742 | 756.59 | 7.67 |
| New York | 1.0000 | 1.7715 | 1.0000 | 1.335 | 1.0000 | 3.4295 | 61.40 | 2.695 |
| Paris | 0.315 | 11.38 | 306.91 | — | 4.948 | 272.20 | 15.1885 | 37.46 |
| Tokyo | 245.50 | 299.87 | 80.83 | 36.37 | 13.65 | 71.49 | 400.45 | 88.17 |
| Zurich | 2.4885 | 3.9377 | 10.29 | 36.715 | 0.1222 | 72.745 | 4.0005 | — |
| 1 ECU | 0.7365 | 0.6021 | 1.2272 | 1.482 | 1.3848 | 2.5149 | 45.0479 | 1.8291 |
| 1 SDR | 0.9471 | 0.8104 | 1.0222 | 1.2635 | 1.6773 | 3.4112 | 61.1287 | 2.4828 |

Dollar Values

| | \$ | £ | DM | FF | Y | Sc | S | Y |
|-----------|--------|---------|---------|--------|--------|--------|---------|--------|
| Amster | 1.1797 | 1.6185 | 1.0000 | 1.335 | 1.0000 | 3.4295 | 61.40 | 2.695 |
| Bombay | 3.7441 | 11.2645 | 2.8140 | 6.778 | 73.945 | 3.842 | 756.59 | 7.67 |
| Frankfurt | 1.2802 | 3.7441 | 11.2645 | 2.8140 | 6.778 | 73.945 | 3.842 | 756.59 |
| London | 1.0000 | 1.7715 | 1.0000 | 1.335 | 1.0000 | 3.4295 | 61.40 | 2.695 |
| Madrid | 1.6840 | 2.2010 | 626.69 | 202.19 | 588.89 | 30.742 | 756.59 | 7.67 |
| New York | 1.0000 | 1.7715 | 1.0000 | 1.335 | 1.0000 | 3.4295 | 61.40 | 2.695 |
| Paris | 0.315 | 11.38 | 306.91 | — | 4.948 | 272.20 | 15.1885 | 37.46 |
| Tokyo | 245.50 | 299.87 | 80.83 | 36.37 | 13.65 | 71.49 | 400.45 | 88.17 |
| Zurich | 2.4885 | 3.9377 | 10.29 | 36.715 | 0.1222 | 72.745 | 4.0005 | — |

1 EC Unit of 1.0000 (1.0000) Units of 1.0000
N.D. = not available

IATA Says World Airlines
Will Show Profit in 1984

United Press International

GENEVA — World airlines will show a profit after interest payments this year, the first since 1978, according to the International Air Transport Association's annual report.

Net profit also is likely in 1985 and 1986, although margins will be "wafer thin and extremely sensitive to slight changes," according to the report, scheduled for release Monday.

"The airline industry as a whole is still not earning nearly enough fully to cover all costs including fleet and other equipment replacement," said the association report, which forecast 1984 after-interest profit of approximately \$1.2 billion for its 124 member airlines. If traffic growth continues, it

said, the carriers should see combined profits in 1985 and 1986 of \$1.5 billion and \$1.7 billion respectively.

Liberalization and deregulation, especially in the United States, have created increased work and expense for airlines, the report said. IATA also renewed its call for tougher action by governments against hijackers.

"It is vital that all governments recognize that it is in their own interests to create a climate in which no safe harbor without severe legal consequences is ever available to the hijacker anywhere in the world," the report said.

The report was issued by IATA's director general, Knut Hammarstrand, for 40th annual general meeting in Montreal.



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U.S. \$1,000,000,000

United States of America

11 $\frac{3}{8}$ % Foreign – Targeted Treasury Notes

due September 30, 1988

of which

U.S. \$281,000,000

was allocated to a bidding syndicate headed
by Credit Suisse First Boston Limited and
comprised of the following institutions:

Credit Suisse First Boston Limited

Arab Banking Corporation (ABC)

Banque Bruxelles Lambert S.A.

Banque Nationale de Paris

Enskilda Securities
Skandinaviska Enskilda Limited

Girozentrale und Bank der Österreichischen Sparkassen
Aktiengesellschaft

Great Pacific Capital S.A.

Hambros Bank Limited

Kidder, Peabody International Limited

Lehman Brothers International
Shearson Lehman/American Express Inc.

Lloyds Bank International Limited

LTCB International Limited

U.S. \$1,000,000,000

United States of America

11 $\frac{3}{8}$ % Foreign – Targeted Treasury Notes

due September 30, 1988

Market-makers

Reuters Page: CSFT

Credit Suisse First Boston
Group

The First Boston Corporation
London Branch

22 Bishopsgate, London EC2N 4BQ Telephone: (01) 283 4200 Telex: 892131



New Eurobond Issues

| Issuer | Amount (millions) | Mat. | Coup. % | Price | Yield | Price | Terms |
|-------------------------------------|-------------------|--------|---------|--------|-------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| FLOATING RATE NOTES | | | | | | | |
| Allied Irish Banks | \$100 | perpet | 1/4 | 100 | — | 98.80 | Over 6-month Libor. Minimum coupon 5% for first 10 years. Callable at par on any interest payment date after 1990. Fees 1%. Denominations \$10,000. |
| Export-Import Bank of Korea | \$50 | 1994 | 1/4 | 100 | — | 98.10 | Over 6-month Libor. Minimum coupon 5%. Redeemable at par in 1989 and 1991. Fees 1%. Denominations \$10,000. |
| Italy | \$1,000 | 1994 | 1/4 | 100 | — | 99.86 | Over 6-month Libor. Minimum coupon 5%. Redeemable at par on any interest payment date after 1985 and 1989. Fees 0.145%. Denominations \$10,000. |
| Malaysia | \$600 | 2009 | 1/4 | 100 | — | 99.18 | Over 6-month Libor. Minimum coupon 5%. Callable at par on any interest payment date after 1985 and redeemable at par in 1994, 1996, 1999 and 2004. Fees 0.35%. Denominations \$10,000. |
| Spain | \$500 | 1999 | 1/4 | 100 | — | 99.40 | Over 6-month Libor. Minimum coupon 5%. Callable at par on any interest payment date after 1985. Fees 0.45%. Denominations \$10,000. |
| Standard Bank Import-Export Finance | \$75 | 1991 | 1/4 | 100 | — | — | Over 6-month Libor. Minimum coupon 5%. Redeemable at par in 1990, and callable at par on any interest payment date after 1985. Fees 1.14%. Denominations \$10,000. |
| Sweden | \$500 | 1999 | libid | — | — | 99.18 | Interest pegged to 6-month rate for Eurodollars. Redeemable at par in 1989 and 1990. Sold by tender. Denominations \$10,000. Terms to be set Oct. 31. |
| Banque Indosuez | £85 | 1991 | 1/4 | 100 | — | 99.70 | Over 6-month Libor. Minimum coupon 5%. Non-callable. Fees 0.35%. |
| Banque Indosuez | 0.20 | 12 mos | — | \$20 | — | \$14 | Each warrant is exercisable at par into a \$1,000 note of company's non-callable 12% of 1991. |
| FIXED-COUPON | | | | | | | |
| Chrysler Financial | \$150 | 1994 | 13% | 100% | 13.20 | 98.63 | Redeemable at par in 1989 and 1991. Increased from \$100 million. |
| Coca Cola | \$100 | 1988 | 11% | 103.60 | — | 101.60 | Non-callable. Each \$5,000 note with one warrant exercisable at par into a \$5,000 note of company's non-callable 11% of 1991. Bonds ended the week of 98.38 and warrants at \$32.4. |
| Hokkaido Electric Power | \$50 | 1989 | 12% | 100 | 12% | 98.75 | Non-callable. |
| Nippon Credit Bank Finance | \$100 | 1992 | 12% | 103% | — | 103 | Callable at 101 by \$1 million segments as warrants are exercised, and at par in 1993. Payable Jan. 31. Each \$5,000 note with five 5-yr warrants, each exercisable at par into a \$1,000 note of company's non-callable 12% of 1992. Bonds ended the week of 99 and warrants at \$41. |
| Ralston Purina | \$100 | 1994 | 12 | 98 | 12.36 | 95.88 | Callable at par in 1989, 18% payable on subscription and balance in May 1989. |
| Ralston Purina | 0.10 | 1989 | — | \$40 | — | \$36 | Each lot of 5 warrants is exercisable at par into a \$5,000 note of company's 12% of 1994, callable at 102 in 1994 and at 101 on or after Jan. 31. Each \$5,000 note with five 5-yr warrants, each exercisable at par into a \$1,000 note of company's non-callable 12% of 1992. Bonds ended the week of 97.75 and warrants at \$44. |
| Saskatchewan | \$100 | 1989 | 11% | 100 | 11% | 97.88 | Non-callable. |
| SNCF | \$100 | 1992 | 12% | 104.10 | — | 102.23 | Callable at 101 as warrants are exercised. Each \$1,000 note with one 5-yr warrant exercisable at par into a \$1,000 note of company's non-callable 12% of 1992. Bonds ended the week of 97.75 and warrants at \$44. |
| Suncor | \$75 | 1991 | 12% | 100 | 12% | 98.38 | Callable at par in 1990. |
| Westpac Banking | \$100 | 1992 | 12% | 103.80 | — | 101.50 | Callable at 101 in 1988, 100% in 1989 and 100% in 1990 by \$1 million segments as warrants are exercised, and at par in 1991. Payable Jan. 31. Each \$5,000 note with five 5-yr warrants, each exercisable at par into a \$1,000 note of company's non-callable 12% of 1992. Bonds ended the week of 98 and warrants at \$25. |
| World Bank | \$150 | 1994 | 12% | 100 | 12% | 98.25 | Non-callable. |
| European Community | DM 100 | 1996 | 7 1/4 | 100 | 7 1/4 | 99.75 | First callable at 102 in 1992. |
| World Bank | ECU 125 | 1989 | 10% | 100% | 10.20 | 100 | Non-callable. |
| World Bank | ECU 75 | 1994 | 10% | 100 | 10% | 99.88 | First callable at 101 in 1990. |
| British Columbia | CS 100 | 1991 | 12% | 100 | 12% | 98.25 | Non-callable. |
| Ottawa-Carleton | CS 30 | 1994 | 12% | 100 | 12% | 99 | Non-callable. |
| Commonwealth Bank of Australia | Aus\$ 35 | 1989 | 12% | 100 | 12% | 98.13 | Non-callable. |
| Woolworths New Zealand Finance | NZ\$ 20/25 | 1991 | 16% | open | — | — | Redeemable at par in 1989. Terms to be set Oct. 31. |
| EQUITY-LINKED | | | | | | | |
| Hazama Gumi | \$50 | 1989 | open | 100 | — | — | Coupon indicated at 9 1/2%. Non-callable. Each \$5,000 note with one warrant exercisable into \$5,000 worth of company's shares at an anticipated 2 1/2% premium. Terms to be set Oct. 27. |
| Viacom Int'l | \$50 | 1999 | open | 100 | — | — | Coupon indicated at 7 1/2%. Callable at 104 in 1990. Convertible at an anticipated 16-20% premium. Terms to be set Nov. 8. |
| WARRANTS | | | | | | | |
| Seagram | 0.125 | 1989 | — | \$44 | — | \$36 1/2 | Each warrant is exercisable at par into a \$1,000 note of company's non-callable 12% of 1994. |

Eurobond Supply Outstrips Demand

(Continued from Page 9)

step as the warrants are exercised. The aim is to avoid the possibility of having a borrower who sold \$100 million of bonds and warrants to buy another \$100 million of securities pay interest on \$200 million of debt if interest rates tumble and the warrants are exercised immediately.

Until this month, issuers ran that risk: The host issue was callable only at the time the warrants expired, usually in three, four or five years time. But now Nippon Credit Bank, the French state railway SNCF and Westpac Banking — which last week each sold \$100 million of debt securities bearing five-year warrants to buy other debt securities — followed the lead set by Denmark a week earlier in linking retirement of the original debt to the exercise of the warrants.

Denmark's trailblazing action gave it the right to redeem \$5 million of the host issue with each \$5 million of warrants exercised — meaning that it ran the risk of having no more than \$104.99 million principal outstanding at any time. Last week, encouraged by the market's failure to react unfavorably to this development, Nippon Credit, SNCF and Westpac cut the threshold to \$1 million — meaning they risk not to have more than \$100.99 million outstanding.

These premature redemptions are made at a premium, in most cases of 1 percent — meaning a \$1,000 security is redeemed for a \$1,010. Westpac has shaved this a bit, setting a premium of 1/2 percent for the first three years, 3/4 percent for the fourth year and 1/4 percent for the fifth year (at which time it also has the right to redeem the entire host issue at par).

From the lead managers' point of view, this is a terrific attraction for investors. An ex-warrant bond

bought today at say 98 might be redeemed at 101 next year, giving an investor a 3 percent windfall capital gain. In addition, a spokesman for Morgan Stanley, which pioneered the idea, says the coupons on the host issues it managed (all but SNCF, whose coupons were widely regarded as aggressively low) are about a quarter percentage point more generous than they would otherwise have needed to be.

But the critics, who are many, argue that reward of a slightly higher coupon does not adequately compensate for the effective ceiling put on the price of the bond in the secondary market.

They complain that if the warrants are being exercised it means that interest rates have tumbled sharply — and that should mean that the price of the host issue (which usually has a higher coupon than the security purchased by the warrant) should soar. But it won't, the critics contend, at least not beyond 101 out of fear that the paper will be called at that price.

Nippon Credit (widely regarded as the most attractive of the lot with a coupon of 12% percent on the host issue and 12% percent on the warrant bond) and Westpac both have another feature — delayed payment, due on Jan. 30. This is designed to appeal to investors eager to speculate on an impending decline in interest rates and, for non-dollar investors to speculate on the foreign exchange rate.

Coca-Cola, by contrast, did not have to worry about paying interest on \$200 million of debt when it only wanted \$100 million since the coupon on both the four-year host issue and the seven-year warrant bonds bear a low coupon of 11% percent. The magic of the name and the assumed value of the warrants, sold at \$36 each, made the low coupon possible. But assuming the warrants never get converted, Coca will have paid an eye-popping one percentage point less for its four-year money than the U.S. Treasury.

The Treasury issued its \$1-billion of four-year notes targeted for foreign investors at an average yield of 11.41 percent. There was very active bidding for the issue by banks eager to impress the Treas-

asury with their placing power, but so far investor demand has been slower than expected and the notes ended the week down 1 point at 98.27. The yield on the foreign notes was most identical to the yield set on the paper sold at home, but due to the fact that interest there is paid semi-annually and here annually, the Treasury saved an estimated \$3.5 million a year on its international placement.

So the floating-rate market, Sweden invited banks to bid next week on terms for \$500 million of 15-year notes that holders can opt to redeem after five or 10 years. Morgan Guaranty Ltd. has guaranteed a price to Sweden, which was not revealed, establishing the maximum cost the borrower will pay. Banks wanting paper must submit their proposals to Morgan's commercial banking parent, acting as trustee and at arm's length away from the merchant bank. The coupon will be tied to the London interbank bid rate.

Meanwhile, Italy (seeking \$1 billion), Malaysia (\$600 million) and Spain (\$500 million) sold FRNs at rates that established new borrowing-cost lows for them in the international market. Italy, with interest set at 1/4-point over the mean of the bid-offered rate and commissions of 1 1/4% basis points, paid 9.2 basis points over the London interbank offered rate (the most widely used base rate) for five years (the first put option).

Malaysia, with interest set at 1/4-point over Libor and commissions of 95 basis points, paid 22 basis points over Libor to the first put option in 10 years. Spain, paying interest of 1/4-point over Libor and fees of 65 basis points, paid 16.8 basis points over Libor for its 15-year money. The terms were viewed as very aggressive.

The same comment was made about the new level set on the Canadian dollar offerings, where British Columbia set a coupon of 12% percent on 100 million dollars of seven-year paper and Ottawa-Carleton 12 1/4 percent on 30 million dollars of 10-year bonds. Ditto for the Commonwealth Bank of Australia's 35 million Australian dollar, five-year issue bearing a coupon of 12% percent.

European Investment Bank Sells 100 Million ECU of Notes

By Carl Gewirtz
International Herald Tribune
PARIS — The European Currency Unit is rapidly coming into its own internationally as a growing number of financial operations are being transacted in the composite unit of European Community currencies.

In a move to help develop an ECU money market, the European Investment Bank last week sold 100 million ECU (\$70 million) of one- and three-month notes aiming to provide banks or other clients with instruments that the bank hopes will mobilize short-term utilization of the unit.

The notes are offered only in banks, in minimum amounts of 1 million units. The EIB said it is willing to tailor its program to the needs of commercial banks and is ready to sell paper for maturities of up to six months. EIB officials said that much greater liquidity would be needed in developing the short-term market and it therefore hopes commercial banks and other institutions will follow its lead.

TAP, Portugal's state-owned airline, is seeking to raise 47 million ECU through the sale of promissory notes. The operation is to run for five years but holders can extend for two years if they desire. Interest on the three-month notes will be based on the interbank bid rate and underwriters will be invited to submit bids for pricing the notes, which will be at a discount from par. TAP will pay underwriters an annual fee of 27 1/2 basis points.

In the longer end of the market, Efin, one of Italy's state holding company's, this week will market a 10-year loan of 250 million ECU with interest set at 1/4-point over the interbank offered rate for the first year, 3/4-point over for the next five years and 1/4-point over for the final four years.

Another Italian agency, Credipol, will tap the market for an eight-

SYNDICATED LOANS

year loan of 50 million ECU and \$25 million. Interest on both components will be set at 3/4-point over the interbank offered rate for the first 5 1/2 years and 1/4-point over for the remainder.

In the dollar market, activity remains focused on the sale of promissory notes. The EIB is making its first foray into this market, asking banks to underwrite the sale of \$250 million worth of notes during a 10-year period. Banks will be paid an annual underwriting fee of 1/16 percent. If the EIB is forced to draw on the banks for the credit, it will pay very thin fees ranging from 15 basis points over Libor for the first five years, 20 basis points for the next two years and 25 basis points in the final three years.

BAT Industries, meanwhile, has set a new low in borrowing costs through the novel structure of its \$300-million credit facility. BAT will sell either short-term Euronotes or commercial paper in New York but is asking banks to provide a back-up line of credit of only \$60 million — the minimum amount it

needs to back up the sale of notes in the New York market.

Banks will be paid a commitment fee of 10 basis points for providing the credit and will earn 1/4-point over Libor if the credit is drawn, but no fees will be paid on the note facility.

Elders Ltd., the Australian conglomerate, last week formally began soliciting support for its five-year, \$500-million commercial paper-Euronote facility. The sale of commercial paper will be backed by letters of credit supplied by Chase and the Bank of Tokyo which will give the Elders paper the top credit rating in the New York market. The Euronotes, by contrast, will be issued solely on the credit of Elders.

In addition, the commercial paper will likely be sold for shorter maturities than the Euronotes. Thus, the yields on the paper will not be strictly comparable.

The maximum yield on the Euronotes is set at 15 basis points over Libor and a tender panel will bid for these. No more than \$300 million will be raised through the sale of Euronotes and banks will be paid an annual facility fee of 10 basis points.

Commercial Credit Corp., a unit of Control Data Corp. of the United States, is planning to raise \$75 million through the sale of Euronotes. The operation will run for three years, but can be extended another two years if lenders wish. The maximum rate on the notes is 1/4-point over Libor. Banks will be paid an annual facility fee of 3/16 percent, which can rise to 1/4 percent if the managers are obliged to take the notes for two consecutive periods.

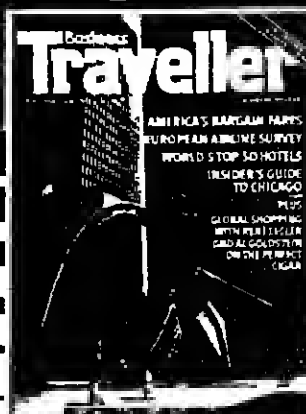
In other words, if Commercial Credit draws on the underwriting banks they will earn up to 1/2-point over Libor. In addition, front-end commissions total up to 1/4 percent.

Glendale Federal Savings & Loan of California, the fifth largest S&L in the United States, is arranging a \$50-million, three-year credit with interest set at 3/4-point over Libor. Front-end fees range up to

15 basis points and a commitment fee of 5/16 percent will be paid if none of the loan is drawn and 1/4 percent if it is partially used.

In Asia, Thailand is canceling an undrawn \$300-million loan arranged in 1981 and replacing it with a new and less expensive \$300-million, 10-year loan. Interest on the new loan will be set at 3/4-point over Libor. This compares to the 1/2-point margin paid on the previous loan, which had a maturity of only eight years.

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Prices of Bonds Decline On Fear of Tight Credit

By Gary Klotz
New York Times Service

NEW YORK — The credit markets continued to weaken last week amid growing indications the Federal Reserve is not willing to ease its rein on credit as much as many traders thought.

Following Thursday's sharp price declines, bond prices fell again and yields edged higher on Friday, when there was additional

U.S. CREDIT MARKETS

selling by portfolio managers and securities dealers who sought to lock in profits from the strong boom in Treasury bonds.

Long-term Treasury bonds on Friday fell a half-point and short-term interest rates rose as much as a quarter of a point.

A rise in the federal funds rate back toward the 10-percent level on Friday clearly disappointed traders who were already moderating their earlier assessments of the extent of Fed easing after the release Thursday of the weekly Federal Reserve data. The data showed a \$1.8-billion rise in the basic money supply, slightly higher than some firms had forecast. The data also showed that bank reserves were not in great supply.

All of it dispelled the notion that was beginning to build that the Fed was embarking on a significant accommodation, said William V. Sullivan Jr., director of money market research at Dean Witter Reynolds Inc.

Earlier on Friday, traders were buoyed by a half-point reduction in the prime rate by several major banks to 12 percent and the Fed's failure to drain reserves from the banking system.

But these were not enough to offset disappointment that the Fed was willing to allow the Fed funds rate to move higher. The Fed funds rate, which reached as high as 9 1/2 percent, traded at 9 1/4 percent most of the day, up from 9 1/8 percent late Thursday. The prime rate reduction was of little surprise to traders who saw the banks as merely reacting

to recent declines in other money market rates.

Earlier last week, sharp price gains and lower rates in the bond market were fueled by a perception held by many analysts that the Fed had loosened its tight rein on credit in an effort to prevent the recent slowdown in economic activity from developing into a recession.

This view was supported by signs that the Fed was accommodating a Fed funds rate in the 9 percent to 9 1/4 percent range. Mr. Sullivan said the move in the rate back toward the 10-percent level was interpreted as an indication the "market probably was overoptimistic" early last week as to how far the Fed was willing to ease.

Edward Yardeni, director of economic fixed-income research at Prudential-Bache Securities, attributed the weakness in the bond market more to an "eagerness" by traders to cash in gains from the recent market rally than to any major reassessment of the Fed's posture.

In the Treasury bill market on Friday, rates on three- and six-month bills rose slightly less than one-tenth of a point, with the three-month bill bid at 9.35 percent, up from 9.27 percent.

Other short-term rates rose more steeply, catching up with the sharp rise of Treasury rates on Thursday. Yields on bank certificates of deposit rose nearly a quarter of a point with three-month certificates bid in the secondary market at 9 1/2 percent.

The benchmark 12 1/2 percent Treasury bond due in 2014 fell a quarter-point to about 106, to yield 11.77 percent.

U.S. Consumer Rates

For Week Ended Oct. 26

Passbook Savings 5.50 %

Tax Exempt Bonds 10.05 %

Money Market Funds 10.16 %

Bank Money Market Accounts 9.67 %

Home Mortgages 14.91 %

Chicago Pacific Makes Offer

(Continued from Page 9)

take Tectron and continue to build it into one of the great industrial organizations in the world.

Since Chicago Pacific emerged from the nine-year-long reorganization of bankrupt Chicago, Rock Island & Pacific Railroad Co. four months ago, Mr. Kapnick has been seeking for companies to acquire with the \$300 million kitty. That sum was left after William M. Gibbons, the bankruptcy trustee, sold off 4,000 miles (6,464 kilometers) of the railroad's tracks.

"We had a lot of money on hands, and we were interested in using it to buy a company," said Thomas G. Ayers, a Chicago Pacific board member.

One reason Mr. Kapnick is so eager to acquire a company is that Chicago Pacific has \$60 million in tax losses that can be carried forward to a profitable company. Mr. Kapnick said shareholders would gain because the \$43-a-share offer exceeds Tectron share prices. On Friday, Tectron's shares closed at \$37 on the New York Stock Exchange, down \$2 from Thursday.

Mr. Kapnick said of Tectron, "They have some excellent compa-

nies that could be made into core businesses." He told shareholders in July that he was wanted to acquire "core" businesses with leading or potentially leading positions in their industries.

He said he accepted the invitation of Lester Crown, who is a Chicago Pacific board member and whose family owns 10 percent of its stock, to become the company's chairman because "I have never seen an opportunity quite like this one." He added: "This company starts out with a new set of directors, new management and with close to \$300 million in cash, and all the debts have been paid."

Although he has never managed an industrial company before, Mr. Kapnick said his years of poring over books and managing thousands of employees at Arthur Andersen and his year of high finance at First Chicago have prepared him for managing Tectron. As for that his company's bid for Tectron would produce a competing bid by another suitor, Mr. Kapnick said: "It's all rumors. I have no idea of what's going on in that area."

| Gold Options (prices in \$/oz.) | | | | |
|---------------------------------|--------|--------|--------|--------|
| Month | Nov | Dec | Jan | May |
| 30 | 220.80 | 218.70 | 218.70 | 218.70 |
| 30 | 220.80 | 218.70 | 218.70 | 218.70 |
| 30 | 220.80 | 218.70 | 218.70 | 218.70 |
| 30 | 220.80 | 218.70 | 218.70 | 218.70 |
| 30 | 220.80 | 218.70 | 218.70 | 218.70 |
| 30 | 220.80 | 218.70 | 218.70 | 218.70 |
| 30 | 220.80 | 218.70 | 218.70 | 218.70 |
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| 30 | 220.80 | 218.70 | 218.70 | 218.70 |
| 30 | 220.80 | 218.70 | 218.70 | 218.70 |

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Belgrade Forecasts Surplus
BELGRADE — Yugoslavia expects a \$1.25-billion current account surplus next year, compared with an anticipated \$730-million surplus this year, according to local press reports. The figures were contained in a draft economic development plan agreed by the government on Friday.

May 1984

AUSTRIA

A SPECIAL REPORT

OCTOBER 29, 1984

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Banks Competing For Loan Clients In Wider Market

By Erika Folkers

BANKERS in Austria have a difficult situation to confront this year. After catering to the financial needs of both the government and their prime private customers for many years, they find themselves in a strange situation—instead of profiting from a flourishing bond market they have to be glad to lend money to the state on a short-term basis.

Moreover, their best clients have resorted to a form of finance hitherto unknown in Austria: industry clearing.

The actual figures on these newly discovered direct lending operations between insurance companies and private industries can only be guessed. Karl Pale, chairman of Girozentrale, the second largest Austrian bank, estimated a business volume of 20 billion to 30 billion schillings.

If he is right, then at least one-third of what was placed on the domestic bond market last year has been provided this year by nonbank institutions. With issues of 70.4 billion schillings, last year recorded the highest volume in postwar years. So far this year, a total of 18.4 billion schillings has been issued.

The reasons for the sudden collapse of the Austrian capital market are manifold: There is a pronounced shrinking of personal income, coupled with a higher inflation rate (currently 5.6 percent), as well as dwindling demand by investors, who seem to prefer the more attractive interest rates of the dollar and other currencies.

The final blow, bankers believe, came with the introduction of a new withholding tax at the beginning of this year on the yield of newly issued government bonds, which has to be paid by local and foreign investors alike.

Since buyers of foreign bonds are tax-exempt, it was natural that Austrian investors started to look abroad. Between the end of last year and February 1984, Eurobonds have been bought for an estimated 10 billion schillings, thus avoiding withholding tax.

The recent developments among the major banks in the fixed-interest market have hit all major issuing banks:

• Creditanstalt, Austria's largest bank (1983 balance sheet total was 300.9 billion schillings), a joint-stock company, in which the government has a 60-percent share. It controls 10 percent of the country's private industry.

• Girozentrale, the central institution of the Austrian savings bank (1983 balance sheet total: 213.2 billion schillings), with a market of roughly one-third of all deposits.

• Österreichische Länderbank (1983: 160.1 billion schillings), a joint-stock company, also backed by the state.

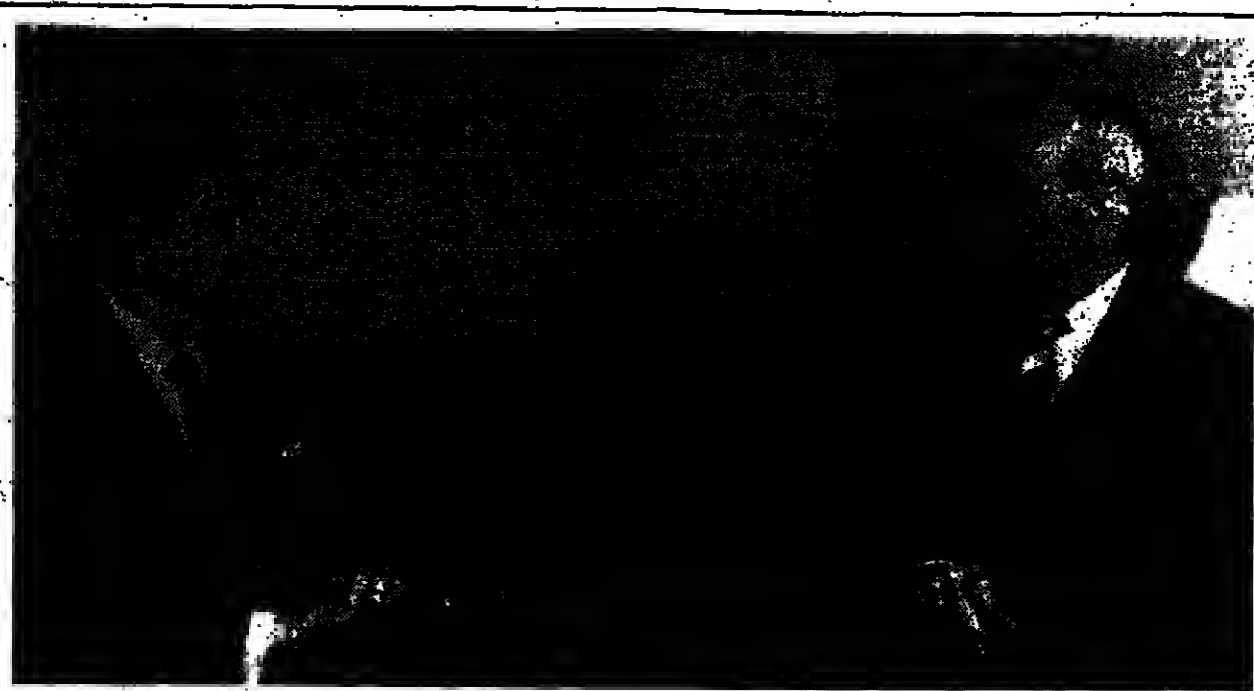
• GZB Vienna, a rapidly growing central institute of the farmers' cooperatives, "Raiffeisen" (1983: 123.5 billion schillings).

The blow to the capital market has not, however, crippled the banks' activities in other fields. In particular, Creditanstalt and Girozentrale were well prepared for the sudden demand in Eurobonds. In the last few years they have become much sought after as lead managers in the Euro market.

Girozentrale's recent performance is impressive. According to Institutional Investor magazine, the bank is ranked 57th in Eurobond issues for the first half of 1984. It is the sole Austrian bank mentioned.

By mid-September, Girozentrale had placed 50 issues (compared with 19 issues in 1983).

(Continued on Page 15)



Austrian President Rudolf Kirchschläger at the White House with President Ronald Reagan in February.



Chancellor Fred Sinowatz

The Coalition: A Fresh Look For a New Era

By Lucian O. Meysels

WHEN the Nationalrat, Austria's parliament, reconvened for its autumn session, the government bench had a decidedly new look. At the end of August, when most politicians were on vacation, Chancellor Fred Sinowatz, who heads a coalition of the Socialist Party and the small liberal Freedom Party, announced the most dramatic reshuffle in Austria's postwar history of a cabinet actually in office.

The chancellor himself had been in office only since last year's general elections and the subsequent retirement of a fellow Socialist, Bruno Kreisky, who had dominated Austrian politics since 1970.

Mr. Sinowatz replaced four ministers, all from his party. Later a fifth cabinet member had to be replaced, when the minister of education and culture, Helmut Zilk, was elected mayor of Vienna, in the place of Leopold Gratz, who went to the Foreign Ministry as part of the reshuffle.

The reshuffle went far beyond the change of five ministers. In practice, it represented a clean break with the Kreisky era and signaled that Mr. Sinowatz was now head of government in his own right. Until then, he had been on shaky ground: The coalition talks with the Freedom Party had not been conducted by Mr. Sinowatz but by Mr. Kreisky. The outgoing chancellor had also exerted a decisive influence in the choice of the Socialist ministers in the new cabinet, making sure that his stalwarts kept their key jobs. A majority of Kreisky's men have now been replaced.

The key figure in the new cabinet is a freshman, Finance Minister Franz Vranitzky, formerly director general of Austria's second largest bank, the Länderbank, which is state-owned. The choice of a specialist rather than a politician was regarded as proof that Mr. Sinowatz wanted to give top priority to financial and economic matters—a move long regarded as overdue by leading Austrian economists. Although the country is not badly off by West European standards—with inflation at 5.6 percent and unemployment at 4.8 percent—economic difficulties have been mounting during the last year. The national debt has reached a record 455 billion schillings (one-third of it in foreign loans) and the budget deficit hovers just under 100 billion schillings. The balance of trade improved slightly during August but still amounts to 9 billion schillings.

During Mr. Kreisky's tenure, these developments were not regarded as dramatic. He had gone on record with a rather offhand declaration that he would not worry about an increase in national debt if unemployment was kept down. And his finance minister, Herbert Salcher, had carefully adhered to a similar line.

Mr. Vranitzky evidently takes a different view. In his first public statements as minister he underscored the need for strict economies, although he has yet to produce a definite program. He has announced his intention to "demolish" one of the symbolic pillars of his predecessor's tax policy: the 7-percent withholding tax, a levy of interest paid on savings, local bonds and loans.

This tax, unpopular from the beginning, is believed to have been one of the main causes for the losses suffered by the Socialist Party at the last election. And its consequences have been negative: Austrians lost interest

(Continued on Next Page)

Profits for State Industries Are Proving Illusory

By David Hermges

AT THE end of the third quarter of the year, the holding company for all state enterprises in Austria, Oe. I.A.G., announced that it would only need 10 billion schillings in 1984 to finance its books. The news was greeted by Austrians with mixed feelings of relief and skepticism.

Since the original sum envisaged had been 1.6 billion schillings, there were certainly some reasons for rejoicing. In past years, however, similar optimistic predictions from nationalized industry have proved illusory.

In February 1982, Herbert Apfalter, director general of VOEST-Alpine, said in Linz that he was confident that his group, which had slipped from its red, would break even before the year was out and would start to show a profit in 1983. Instead, the projected loss for VOEST-Alpine in 1984 is 3 billion schillings, with the big saving grace being the fact that this figure down 500 million schillings from the original estimate.

Nationalized industry in Austria employs nearly 102,000 people, more than 70 of whom are on the payroll of VOEST-Alpine, making it the country's largest employer. It is going through a fundamental restructuring process. In the late 1970s, the group's turnover was concentrated to 50 percent in the iron and steel sectors, at this proportion has now dropped (with steel overall sales) to 20 percent, compared with 80 percent of other products and services. Mr. Apfalter explained last month, it is investment in this major switch, triggered by the international crisis in the steel industry, that has put the company struggling to make ends meet even with state aid.

"The upshot is that VOEST-Alpine in 1985 will look completely different from the VA of 1975," Mr. Apfalter said. "Up until the mid-70s, the world was in order. We undertook

routine developments and improved existing products. Then the crisis hit us and we had to regroup in a very, very short time, closing down old works ruthlessly and pouring money into research and development in a way that had not seemed necessary earlier. In old-fashioned steel and machine-construction you could count on nothing much changing for 10 to 12 years. Nowadays you can come up with something new, and in a mere five years it is "out" and no one will look at it any more. You have got to have something up your sleeve the whole time."

This is what the company is now striving for. In addition to its hard core of steel, major divisions cover processing (such as the seamless oil-pipeline center at Krieglach), finished products (for mechanical engineering and shipbuilding) and industrial plant construction. Less than a year ago a new subsidiary, VAMED, was called into being to supervise the completion of the vast new Vienna General Hospital, a project that is not expected to be fully completed until 1992 and will cost a total (at 1983 prices) of 37.8 billion schillings.

In the electronics field a joint customized microchip venture in Styria with American Microsystems Inc. has begun, and only this month there was news that VOEST-Alpine had landed the biggest contract ever awarded in Europe by International Business Machines. It is for the production of multilayer printed circuits to a value of 3.4 billion schillings at another plant in the same southern Austrian province.

And, as a wholly owned subsidiary, VOEST-Alpine Intertrading (VAIT) has become Austria's largest trading house (specializing in countertrade arrangements) so that it is, for instance, one of the world's major oil-handling firms. VAIT has benefited greatly from Austria's geographical position as well as from the country's neutrality, which gives it freedom of movement on international markets.

Also with headquarters in Vienna is Chemie-

Linz, the country's second-largest nationalized industry. Since the early 1970s it, too, has undergone a major transformation from mainly a fertilizer producer to a widely diversified chemicals undertaking, with pharmaceuticals, polypropylene, plant protectives and herbicides.

Chemie-Linz has been able to cash in on growing chemicals sales worldwide and after many years of deficit "should be able to return a positive balance for 1984," according to Richard Kirchberger, the company's director general. He added, however, that this is "assuming the U.S. dollar retains its strength until the end of the year," since exports have been shooting up recently.

The big worry is the rising price of natural gas, which Chemie-Linz uses—500 million cubic meters per year—as a raw material rather than as a source of energy. Environmental obligations are costing a lot of money. A total of 420 million schillings is being invested in building a pollution-free plant for nitric acid, and an undetermined but "considerable sum" will be needed for the safe disposal of an estimated 200 tons of poisonous production residuals from the former trichlorine phenol plant, said a company spokesman, Ernst-Friedrich Stahl. A liquid chemical process developed by Chemie-Linz itself for disposing of the waste products is expected to be approved soon.

Meanwhile, Austria's second largest chemicals company, Treibacher, continues to lead a quiet but continuously successful life in the southernmost province of Carinthia. Treibacher, a private company, has 1,400 employees and annual sales of 3.5 billion. Its chemical-metallurgical intermediary products (250 tons of them daily) are for the most part as unspectacular as they are essential for many everyday utensils—ballpoint pens, spencer and stainless-steel cutlery, dentists' drills.

"Gran-Alloy" is Treibacher's trademark for (Continued on Page 16)

Achievement in the Arts Dominates National Life

By Richard Bassett

FEW COUNTRIES enjoy as much cultural prestige as Austria. For a country of fewer than 8 million inhabitants, it has few rivals for achievements in the arts.

More than 1 million people visit the country each year for concerts and opera performances alone. The Salzburg Festival, the Vienna State Opera, Haydn in Eisenstadt, Bruckner in Linz. There are times when it seems that any composer of note was either born here or, like Brahms, Richard Strauss and Beethoven, became honorary citizens by dying in Austria.

Such illustrious ancestry means that some of the greatest music ever conceived is lovingly nurtured, and sometimes sublimely performed, in Austria. To hear the Vienna Philharmonic rise to the rich score of an opera by Richard Strauss is to experience a performance as definitive as it is thrilling; to hear the same orchestra attempt, say, Stravinsky's "Rite of Spring," however, is rather like attempting to drive down a highway with the handbrake on. The discomfort experienced by the listener is surpassed only by that so clearly suffered by the performers.

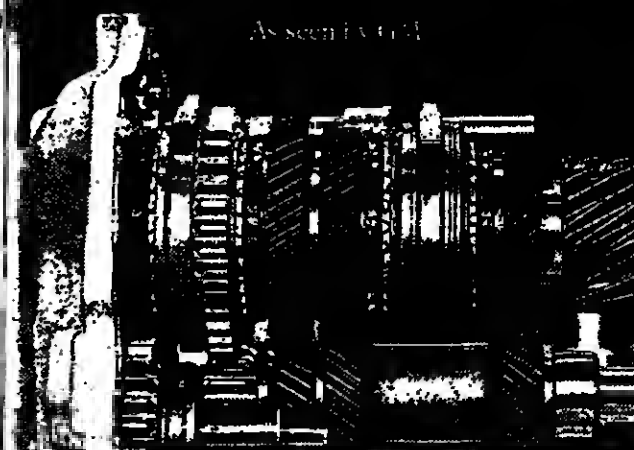
The very richness of the Austrian tradition means that people with catholic tastes that fall outside the familiar names of the classics will rarely be satisfied. It is an embarrassing but undeniable fact that no opera by Benjamin Britten has ever been performed in the Vienna State Opera. The works of Stravinsky or Tippett, acclaimed throughout the rest of the world as masterpieces of the 20th century, have no place in the Vienna repertoire. Although the 1984 Salzburg Festival bravely gave the world premiere of Luciano Berio's "Un re in ascolto," its subsequent transfer to Vienna, albeit for only a couple of

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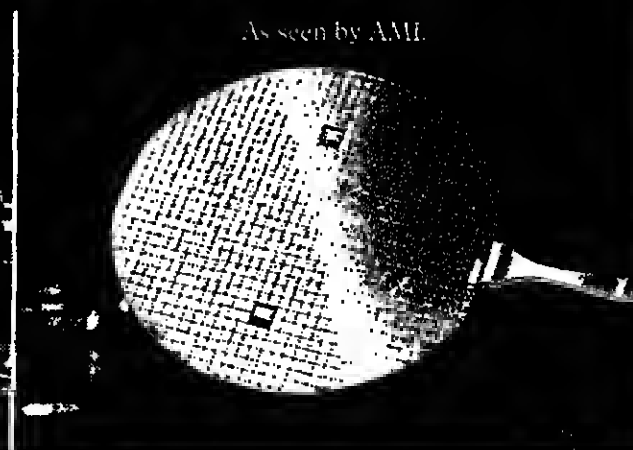


Dancer Fanny Elssler, the first Viennese artist to embark on an international career, in an artist's version of her famous Cachucha dance.

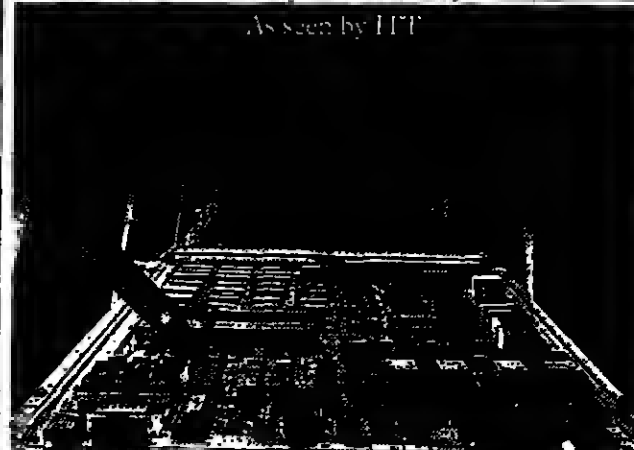
THE BEAUTY OF AUSTRIA



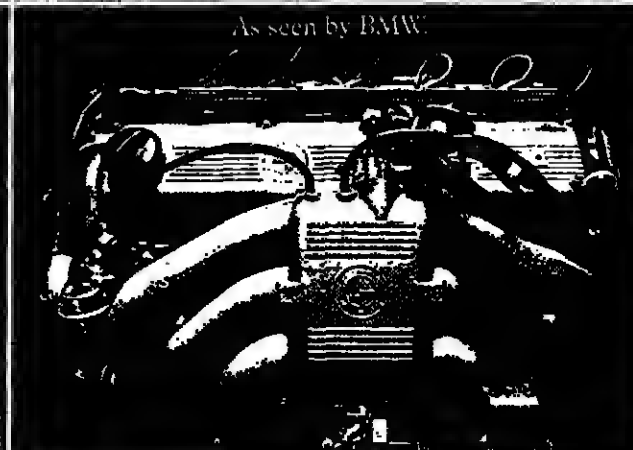
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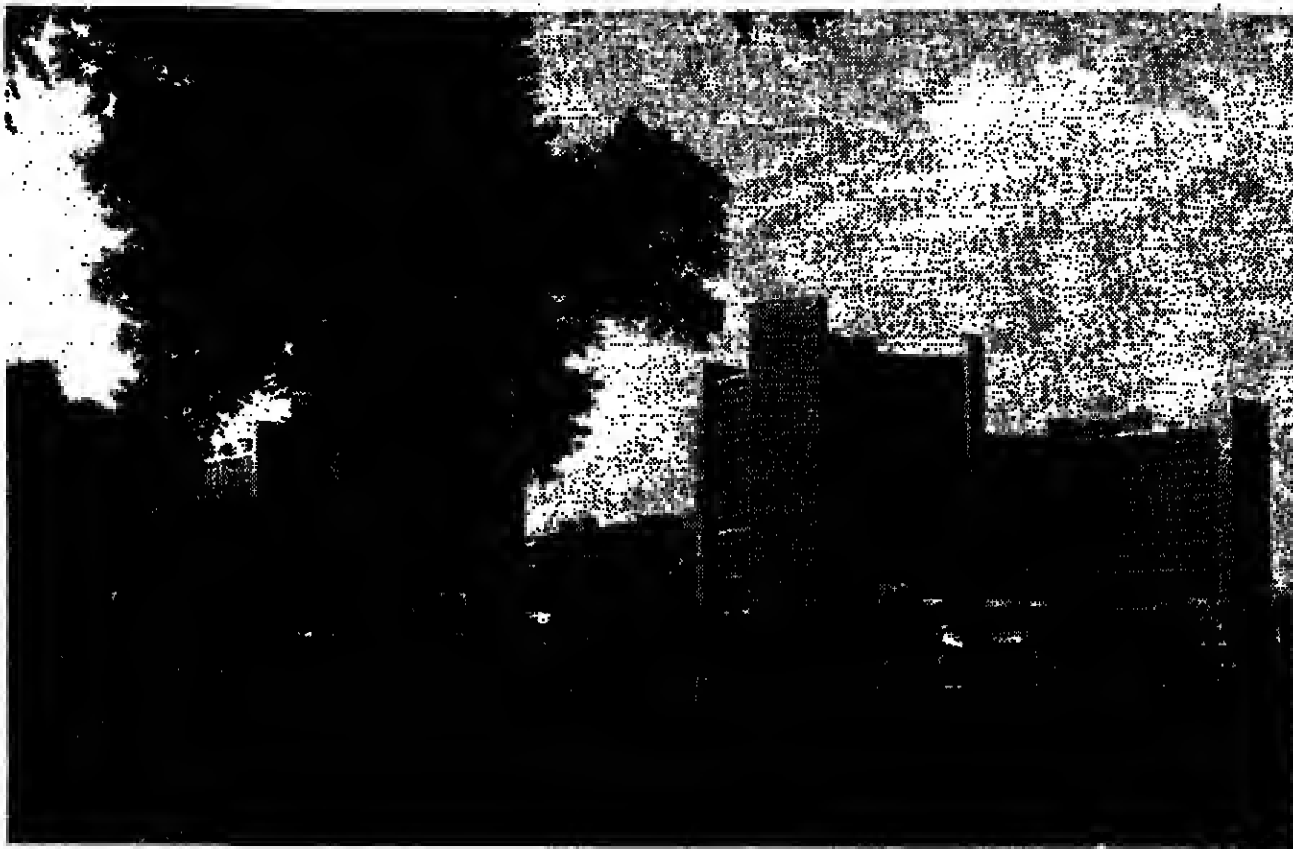
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A SPECIAL REPORT ON AUSTRIA



Vienna's International Center, which was opened in 1979, is the seat of United Nations organizations in the capital.



From left, President Rudolf Kirchschläger, Chancellor Fred Sinowatz and Vienna Mayor Helmut Zilk.

Achievement in the Arts, Past and Present, Dominates National Life

(Continued From Previous Page)

night, left the Viennese opera lover with little desire to explore further the uncharted depths of *moderne Musik*.

This notorious conservatism is a definite advantage for anyone unacquainted with the works of Richard Strauss and Mozart. Few cities can offer almost every Strauss opera in one season, together with the usual array of Verdi and Donizetti evenings. Fewer still are able to boast an orchestra in the pit that plays Mozart as finely as the Vienna Philharmonic does.

But conservatism can breed complacency, which, if unchecked, soon leads to a lowering of standards even in the performances of favorite works. Thus, an orchestra that rarely faces the challenge of 20th-century music is quickly bored by the predictable rhythms of bel canto. A chorus sheltered from the demands but effective writing of Britten or Stravinsky easily loses interest after four performances a week of the same Donizetti work. Add a second-division cast and an uninspired conductor and even "The Magic Flute" can sound tacky.

The complacency bred by a conservative repertoire is reinforced by

the surprising but time-honored circumstances that allow all artists regularly employed by Austrian theaters to enjoy a security of tenure available in other countries usually only to civil servants. Hire-and-fire methods of organizing orchestras are unheard of. As a result, there is no pool of freelance players permanently striving to raise standards so that they can be employed. A curious side effect of this security is the almost complete demise of amateur chamber music in Austria. The days when every dentist in Vienna was a cellist virtuoso and every university professor a suppressed concert pianist are long past.

Singers, like all musicians, nonetheless, depend for some of their income on recording contracts, and these continue to ensure that standards never sink too low and that an element of private enterprise is able to redress the balance of the almost corporatist hold that the socialist Austrian state exerts over the arts.

The acting profession in Austria, however, has no such stimulus and has, as a result, suffered most from this malaise. The Burgtheater, once the depository for the best German spoken in Central Europe, is a

shadow of its former glory. To attend a performance of Molnar's "Olympia" there is to be privy to a production in which hiatus and indifference vie with each other to distract the audience's attention.

When foreign companies visit the theater, as the Royal Shakespeare Company did last winter, the Austrian press is quick to praise the visitors for rekindling the kind of thespian skills unseen there for years.

Another bastion of the performing arts that has declined is the once-renowned Volksoper, the home of Viennese operetta. This great tradition of melody, drama mixed with humor and high adventure is perhaps the most familiar and accessible face of Austria's musical inheritance. Today, 70 years after the premieres of many a fine work by Lehar or Kalman, the performances in Vienna have become monuments to bad taste in which slapstick and kitsch serve as willing acolytes. "Czardasfürstin" and "The Merry Widow" in recent productions here have both preferred to concentrate on clumsy "musical" numbers, which, though familiar to Broadway, have little place in Central Europe. If this were not unpleasant enough, the Volksoper

orchestra insists on playing as if it had to fill the Albert Hall rather than a modest theater.

Luckily, the operetta tradition is kept flourishing in Graz, south of Vienna, where one of the most beautiful opera houses in Austria offers inspired Puccini and Verdi as well as serious performances of operettas. Graz, lying among the foothills of the Alps, offers in many ways more lively theater than the capital. The Graz Autumn Festival partly compensates for Vienna's indifference to modern drama and music and continues to promote new works by Austrian and foreign artists.

With the performance of the Berio work in Salzburg as well as Graz's contribution this year, there is a glimmer of hope that Vienna, too, may be able to break away from the traditions that keep much of its artistic life along such conventional lines. The once-mimicry of the corps de ballet has been trained for this autumn's centenary celebration of the great Austrian dancer Fanny Elssler, the first Viennese artist to embark on an international career.

Moreover, although the Musikverein Concert Hall remains almost exclusively the preserve of the clas-

sics, the less imposing Konzerthaus recently introduced a series of subscription concerts concentrating on 20th-century music.

A more important sign of new things to come is the recent appointment of Claudio Abbado to succeed Lorin Maazel as musical director of the Vienna State Opera.

Mr. Abbado is firmly committed to introducing more contemporary works into the repertoire and is, above all, concerned with doing more for the youth of Vienna, a section of the community that is traditionally ignored by the geriatric decision-making that pervades so much of artistic Austrian life.

Mr. Abbado hopes to introduce some kind of "prom" concert series along the lines of those that have proved so successful in London. He is also convinced that Vienna must restore its artistic links with the countries of Eastern Europe, which supplied much of the life and energy of its earlier days.

If he succeeds in these ideals — and as a man of considerable diplomacy and tact he is likely to avoid many of the errors of his colorful predecessor — Vienna may once again show that Austrian culture can look not only backward but also forward, so playing the role granted to it in earlier centuries.

The Leadership: A Fresh Look for a New Era

(Continued From Previous Page)

was little doubt among Austrian political analysts that he had been hand-picked for his foreign-policy job by the former chancellor in order to guarantee that there would be no significant change in Austria's standpoint.

Mr. Lane, as expected, faithfully adhered to his mentor's pro-Arab Middle East policy. On other issues, however, he took a far more controversial line. Thus, the conservative opposition, the Austrian People's Party, frequently criticized in the parliament what it perceived to be Austria's drift away from European-style neutrality toward Third World nonalignment.

This, in turn, was reflected in Austria's voting record at the United Nations.

The foreign minister also drew fire from Washington for his condemnation of U.S. policy in Central America — a thing no Austrian cabinet member had done in the past. Even at the height of the Vietnam War, Austria had refrained from overt criticism of the United States.

No official reason was given for the replacement of Mr. Lane, who suffered further embarrassment when the swapping of jobs proposed between him and Mr. Gratz was vetoed by the local Socialist Party organization, which preferred Mr. Zilk, the minister of education.

Mr. Gratz has had little experience in foreign affairs, although as

civic head of Austria's capital he has met with all foreign dignitaries visiting the city. In his first policy statements he pledged himself to a course of continuity, while indicating strongly that he would tread carefully where his predecessor had rushed in.

Moreover, there are signs that Mr. Gratz will not stay as foreign minister for very long. Austrian commentators have suggested that the Socialist Party is trying to build him up as an internationally known figure in order to nominate him as presidential candidate in 1986 — when he would likely meet another internationally known figure, former UN Secretary-General Kurt Waldheim, who is believed to be the opposition's front-runner.

Mr. Gratz has had little experience in foreign affairs, although as

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Metallwerk Plansee, at Reutte in the Tirol mountains.



Quality control at Chemie Linz.

Banks Competing In Wider Market

(Continued From Page 13)

19 the year before). Creditanstalt ranks second, with 42 issues within the same period (compared with 36 in all of 1983).

Much of the trust bestowed upon Austria's two leading banks can be attributed to their placement power through more than 1,000 outlets throughout the country and their easy access to the Euro market. Both have branch offices in the City of London.

Eurobonds have not been the sole source of business. Girozentrale, which prides itself on being "Austria's leading investment bank," also dominates investment funds. The bank holds a major share in Sparinvest, a subsidiary, which controls 85 percent of the market.

Last year, investment funds in Austria grew 20 percent (from 9.8 billion to 11.7 billion schillings). Compared to 1979, the funds have doubled. They consist of domestic bonds (80 percent), Eurobonds (12 percent) and shares (8 percent).

One source of business has taken even the shrewdest Austrian bankers by surprise: the high demand for venture capital, introduced as dividend rights certificates (Genussscheine) two years ago. Instead of an estimated 500 million schillings a year, some 4.2 billion schillings so far have been placed. An additional 1.5 billion is projected for this year.

The incentive is obvious: In subscribing to the certificates, the buyer enjoys tax-free profit-sharing. Also, even more attractive to the Austrian taxpayer is the fact that if he holds on to his certificates for 10 years he can deduct 40,000 schillings per person per year (or 100,000 for a family of four) from his income. He thus gains an immediate return of up to 62 percent on his investment.

The fervor of the Austrian customer for risk capital has taken Girozentrale a step further. This year, the bank successfully introduced preference shares of Mautner Markhof, a reputable name in the Austrian food and beverage industry, as well as tax-privileged certificates for dividends of the innovative company Akonische und Kinogerde Gesellschaft.

While bankers are deeply concerned about the dried-up bond market, they continue to expand in their traditional field: financing Austria's exports, which grew from 266 billion schillings in 1982 to 277 billion schillings in 1983.

One reason for the steady growth is an unusual financing plan, combining government guarantees with the specialized export-related services of the Österreichische Kontrollbank, jointly owned by 12 major Austrian banks.

These financing possibilities have recently been recognized by the Standard Chartered Bank of Britain. Together with Linderbank, it set up a unit with Vienna, in which the local bank has a 25.5-percent stake. Together, they plan to engage in foreign-trade financing in the Far East.

One foreign market that has been avoided for some time has become attractive again. After years of declines, Austrian sales to the Comecon countries are rising again, from 29.6 billion schillings in 1982 to 33.5 billion in 1983. The preferred partners were East Germany (up 76.8 percent), Poland (up 36.6 percent) and Bulgaria (up 24.5 percent). This year sales to the Soviet Union are up nearly 40 percent.

Compared to the renewed activities, the involvement of Austrian banks in loans to the Eastern bloc is tolerable. According to the Austrian National Bank, at the end of 1983 there was a total of 96.3 billion schillings outstanding, a third of which can be attributed to Poland.

A recent study of the Vienna-based research team of Business International shows that 20 percent of all sales are contracted through countertrade. Over the years, the city of Vienna has emerged as an important center for that purpose.

Among the best known local countertraders are Allgemeine Finanz und Waren-Treuhand, a subsidiary of Creditanstalt, and Girozentrale's Vienna-Commerz and Elmer & Co. from the Raiffeisen group.

With the help of Austrian bankers, Centro Bank was set up 10 years ago. It now is among the five foremost countertraders in the world. The British merchant bank Kleinwort, Benson Ltd. holds 41 1/3 percent, the Polish foreign trade bank Handlowy w. Wazrowie, 25 percent, and the Italian Banco di Sicilia 33 1/3 percent.

Austrian bankers also demonstrate a special attitude toward bank secrecy. When it comes to identifying a person who opens a numbered account, they abide by the law the "Austrian way." One banker said: "The photo in a passport is proof enough; no one asks for the name if it is covered accidentally."

Incentives, Skilled Labor Are Attracting the Multinationals

Gerald Y. Genn, a former General Motors executive, is head of the International Cooperation Development agency in Vienna.

By Gerald Y. Genn

IN 1980, General Motors, after studying several other countries, chose a site in the outskirts of Vienna for a \$500-million engine and

transmission plant, and as the new managing director I was given the responsibility for implementing the project. The plant was completed on time and is producing close to its capacity of engines and transmissions ranked among the highest quality in the GM organization.

But GM is by no means the only international company in Austria. Other pioneering multinationals

with manufacturing facilities in Austria include BMW, which makes automobiles; Siemens, whose Austrian subsidiary traditionally has been a leader in electronics, telecommunications and domestic appliances; Philips, which employs more than 12,000 people in Austria, where it has made itself a name in consumer electronics; IIT, which makes so-

phisticated telecommunications products, and recently announced plans for major investments in additional research and development facilities and AMI/Gould, which started to make semiconductors in integrated circuits in 1983.

AMI's interest in Austria began five years ago when Stephen Forte, its international operations manager, was examining sites in various European countries. "If ever you had asked me then what I thought about Austria, I would have come up with clichés like Mozart, Salzburg and the white horses," Mr. Forte said. "It would not have occurred to me to shortlist Austria as a potential high-tech production location."

After AMI rejected each European Community country for various reasons, such as shortage of specialized labor, high labor costs, required local equity participation and promises to labor conflicts, Austria was brought into discussion by the large Austrian industrial conglomerate VOEST-Alpine, which proposed the now successful joint venture.

Last year, Cincinnati Milacron decided to make robots in Europe. This company, with manufacturing and sales activities in all major European countries, had in-house access to extensive country comparative data. A thorough examination of manufacturing costs, labor skills, social peace and investment incentives led to the choice of Austria. The project was announced early this year, and in summer the first Austrian robot came off the new Vienna line.

All told, more than a thousand foreign companies, big and small, are now manufacturing in Austria.

What advantages did these firms perceive in Austria? Before discussing incentives, it might be well to examine Austria's inherent, long-term, intrinsic advantages, which are the key factors to a company planning a permanent investment with the objective of an ongoing return. Key among these are the availability of highly qualified engineers and a skilled work force; low manufacturing costs; the lowest strike rate of all industrialized

countries; and easy and duty-free access to all major European markets.

Austria is the duty-free gateway to a market of 350 million Europeans — the EC and the EFTA countries, which account for 40 percent of world trade. Austria's traditional ties with Eastern European countries provide additional market opportunities.

Complementing these inherent Austrian advantages is the new incentive program recently made public. Under this program, investors can receive cash grants of up to \$5,000 a job, plus up to 40 percent premium on machinery and equipment, plus special loans at highly subsidized interest rates. Alternatively, an investor can choose (again depending on location) a package in which his new facility, including machinery and equipment, is built to his specification and leased to him, with the government picking up all lease costs for up to three years. This program has already proved to be of great interest to many investors.

Warm U.S. Link: A Long Tradition

Helene von Damm, who was born in Austria, is the United States ambassador to Austria.

By Helene von Damm

SINCE I assumed my duties in Vienna 16 months ago, Austrian political and economic developments have been fast-moving and interesting. The bilateral relationship has assumed an intensity and substance probably unique in the postwar period.

U.S. relations with Austria have been traditionally good. This can be traced back, in part, to the Marshall Plan. We have built on the foundation of this link, seeking to expand and enhance the relationship.

This significant intensification of dialogue included President Rudolf Kirchschläger's visit to the United States earlier this year — the first state visit ever by an Austrian head of state — as well as visits by several members of the Austrian cabinet.

The diplomatic traffic has also been heavy in the other direction. Vice President George Bush was in Vienna about a year ago and was followed by United Nations Ambassador Jeane Kirkpatrick, Interior Secretary William F. Clark, Energy Secretary Donald Hodel, Treasury Secretary Donald Regan and many other prominent Americans, both public and private.

Personal diplomacy has been reinforced by increased institutional support and exchange in a number of fields. When President Kirchschläger was in Washington, letters were signed to provide

for increased cooperation in the fields of science and technology. It was also agreed, at that time, to initiate a youth-exchange program.

We recently concluded our second annual bilateral "exchange of views." These working-level talks are, of course, in addition to higher-level meetings, such as that held Oct. 3 between Secretary of State George P. Shultz and Austria's foreign minister, Leopold Gratz.

Our bureaucracies have also been stimulated to develop new initiatives. An earnest of Austria's official commitment to strengthening its contacts with the United States is the Foreign Ministry's "U.S.A. Konzept." The United States evinced its interest in an enhanced relationship by reopening, in July 1983, a consular post in Salzburg.

Two-way trade has passed the billion-dollar mark per year and is growing at an annual rate of about 10 percent. Occasional mutual problems and opportunities in the trade field have been managed in a positive fashion.

Finally, as might be expected, musical exchanges occupy a prominent place in Austrian-U.S. ties. This year's successful U.S. tour by the Vienna Volksoper delighted audiences across the United States. But perhaps our most satisfying joint musical venture occurred earlier this month, when I persuaded my friend and fellow adopted Californian, Frank Sinatra, to give a benefit concert in Vienna. His generous fans contributed more than 3.5 million schillings to the handicapped children's organization "Licht ins Dunkel" (Light in the Dark). Sometimes, I have found, things go better when the diplomats keep quiet.



Aerial view of the Chemie Linz factory beside the Danube.

"Sir Isaac*, could you give us your opinion concerning the countertrade activities of VAIT?"

"What I find so interesting about VAIT is the broad spectrum of its activities. VAIT deals in virtually everything, from apples to zinc-coated sheet. The fundamental reasons for VAIT's achievements lie in its down-to-earth approach to countertrade problems and ability to tabulate original solutions. Indeed it would appear that VAIT has discovered a perfect formula, which I would express as follows:

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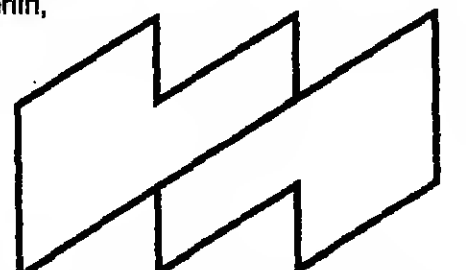
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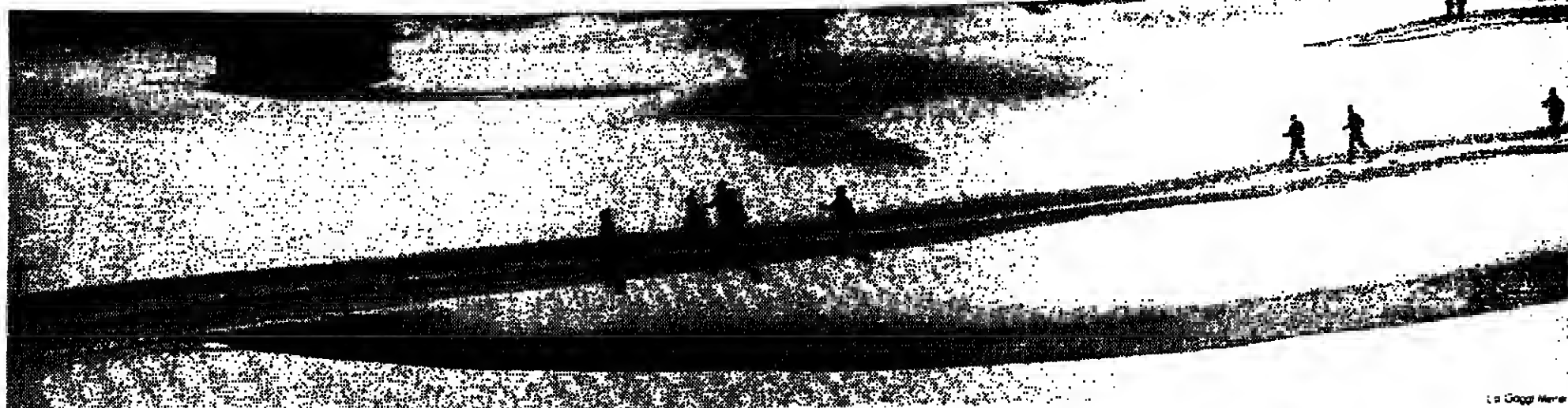
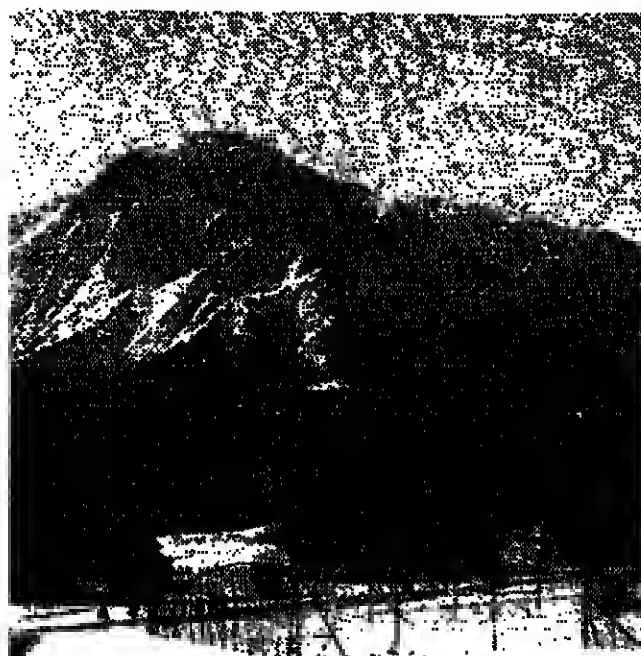
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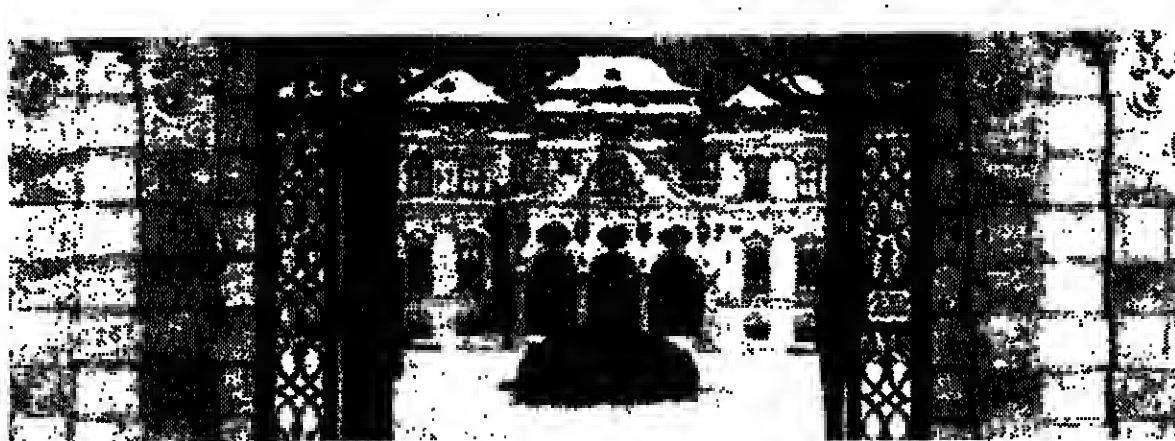


*Sir Isaac Newton (1642-1727) British scientist and mathematician

A SPECIAL REPORT ON AUSTRIA



Ski tours in the Alps, above; a sleigh ride near Salzburg, below right, and Belevvedere Palace in Vienna, below left.



A Drop in Tourism After Decades of Growth Surprises Industry

AUSTRIA'S tourist industry suffered a sharp setback this summer, so much so that the minister of trade, Norbert Steger, was provoked into saying that mass tourism (so susceptible to economic crises) should henceforth be discouraged and more attention paid instead to prosperous individual visitors.

This unguarded remark brought protest from the traditional holiday resorts. "It is clearly impossible to ask people arriving here to declare their income before they are allowed to cross in Austria," said Otn Scheiner, head of the tourism section in the Federal Economic Chamber.

There is no denying that Austria's hoteliers, restaurant managers and swimming-pool owners have been experiencing some severe withdrawal symptoms in 1984 — and that they are far from certain how to cope with the pangs. During the main summer holiday season this year there was a 14-percent drop in the number of overnight stays by visitors from

West Germany, compared with the corresponding period in 1983. The shock was all the greater because it came after decades of lucrative tourism during which the inflow constantly grew without any real effort having to be made.

The setback resulted in large part from the prolonged labor problems (strikes and lockouts) in the republic. It highlighted the traditionally heavy dependence of the Austrian tourist industry — usually about 70 percent — on German-speaking visitors from north of the border. Statistically, this unhealthy state of affairs was offset, to some extent, by an increase in the number of holiday-makers from other countries, including Austria itself, but there was still an overall drop of 4 percent.

To put the matter into better perspective it should be added that last summer Austria went through an unusually rainy spell whereas 1983 had been exceptionally fine. Weather plays an important role for the growing number of motorized family tourists who make

quick decisions when the weather turns bad and move on to Italy. It probably also accounts for the good returns registered by the main cities — Vienna, Salzburg and Innsbruck — all of which reported record numbers of hotel stays in summer 1984.

Countrywide, the trend is clearly away from exceptionally cheap accommodation (possibly in private quarters) toward the more expensive, even luxury end of the market. And supply is keeping up with demand. In Vienna alone there are about a dozen hotels in the top two categories (with about 1,000 beds altogether) under construction or shortly to be opened. At a prime location on the Ringstrasse boulevard in the heart of the Austrian capital two international chains are putting up hotels right next to one another.

Seen objectively, the real difficulty is keeping beds filled during the off season. This can be, in extreme cases, for nine months of the year, especially in some country districts. Zueri, on the Arlberg mountain, for instance, is a playground for high society in ski time but can only be described as a ghost town during summer and autumn. Neighboring Lech, on the other hand, has managed to preserve a year-round vacation image because of some clever tourist promotion activities that enable one to forget that one is up at an exposed 1,500 meters (4,950 feet) and above.

Lech too, it must be said, has somehow, despite considerable expansion over the last 10 years, retained its village character.

This can hardly be said of Austria's prime jet-setter winter resort, Kitzbühel. Down at a reasonable 800 meters and comparatively easily accessible from the motorway, "Kitz" is a bustling, well-oiled, high-gear place for those who like something to be going on around them at all hours of the day and night. The casino attracts almost as much interest as the traditional Hahnenkamm International Downhill ski race, one of the most important events of its kind in the world, or the Head Cup tennis championships in the summer.

Lovers of peace and quiet have only to move a kilometer or two out of Kitzbühel to find another world of *Gemütlichkeit*, that untranslatable mixture of good cheer and charm, coupled with a dash of laziness, of which Austrians are secretly rather proud.

Roughly halfway (both horizontally and vertically speaking) between Lech and Kitzbühel, on a plateau north of Innsbruck, lies Seefeld, which is preparing to host the 1985 Nordic world championships. These cross-country and ski-jumping events are traditional in the area, which hosted the Winter Olympics in 1964 and 1976. This time Seefeld and the surrounding area are especially proud of the fact that they have reached an agreement with hotel and *gasthaus* owners to keep prices down to last

year's off-season levels for the duration of the Nordic championships, Jan. 17-27.

One of the biggest potential markets for enjoying a good-value-for-money holiday at any time of the year in Austria is the choice of 80 or so spas and health resorts. Some of them, such as Bad Ischl and Semmering, tend rather to live on their reputations from the days of the Austro-Hungarian monarchy. Others have completely modernized their facades and their facilities. A stay at Badgastein, for instance — taking the cure in the "Radon Healing Galleries" — or at Warmbad Villach, dipping into the thermal waters, can easily be combined with a variety of more or less vigorous sporting activities. Treatment at the sulfur springs in Baden — whose curative properties tend to be spoiled by the healthy, but penetrating, smell — is a good excuse to enjoy some of the winter concert and operatic delights in nearby Vienna.

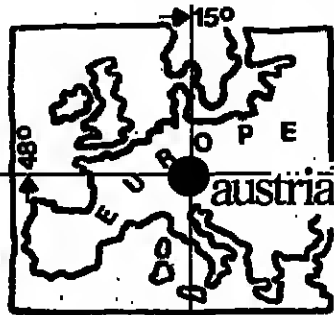
A modernized relic of the past connects Baden with the capital 20 kilometers away. It is a sort of train-rail service, which recently celebrated its centenary. Also 100 years old in 1984 are the shipping service at the other end of the country on Lake Constance and the famous rail tunnel under the Arlberg, which, until the 1970s when the country's longest road tunnel was built, was the only all-weather connection between the provinces of Tirol and Vorarlberg. Trains are still far and away the

most comfortable method of traveling from one end of Austria to the other, with the Austrian Federal Railways constantly offering new, attractive services. On-board films, dancing cars and telephones accessible to and from the national network have been introduced in addition to the existing restaurant carriages on the really fast mainline routes, with hourly on-the-hour departures.

Interior Austrian air travel, late in starting up, is also on the increase. The leader in this field is the independent Tyrolean Airways, which last year carried more than 29,000 passengers between Innsbruck and Vienna on its two Dash-7 turboprops. Next year it will be acquiring a Dash-8 for the same stretch. A smaller but highly ambitious enterprise, Rheintalflug (Rhine Valley Air), has started a scheduled service between Hohenems (near the border with Switzerland) and Vienna using a Cessna Chancellor for the two-hour flight. The services are in addition to international routes flown by the national carrier, Austrian Airlines, using its fleet of 17 DC-9s. A clearly defined, somewhat restricted route policy has kept the "Friendly Airline" — as AUA likes to be known — out of the red (and often well into the black) for many years. Austrian Airlines' investment program up until 1989, amounting to 5.3 billion schillings, includes the purchase of two A-310 Airbus planes.

— DAVID HERMGES.

Austria seen by candlelight



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State Industries: Profits Proving Illusory

(Continued From Page 13)
granular versions of certain hard metals that have chemical and physical properties needed for special steel production.

The company's history of innovation goes back to 1885, when Carl Auer von Welsbach, founder of Treibacher and inventor of the incandescent gas mantle, discovered the elements neodymium and praseodymium.

Hardly less significant in today's households is the sodium-perborate powder produced by Treibacher as the basic bleaching agent in detergents.

Treibacher is also the world's largest maker of light flints, although this accounts for less than 1 percent of sales.

About 80 percent of Treibacher's output goes to export. A record 93-percent export quota is claimed by Metallwerk Plansee, one of the world's largest manufacturers in the field of powder metallurgy.

Plansee, at Reutte in the mountains of Tirol, has a labor force of more than 2,500.

Sales in the last business year were 1.6 billion schillings, with the main markets in European Community countries, the United States and Japan, where the penetration, according to executive Michael Kraus, "has been surprisingly successful."

Of especial importance in the Plansee production are the hard metal Tizit drill tips used in extreme machining operations under various Plansee trade names.

Plansee's technological pre-eminence in hard metals and high-melting metals has attracted wide interest. It is hardly surprising that Plansee's standard investment for research and development is 6 to 7 percent of sales, three times the Austrian industrial average.

It is often difficult to comprehend just how important the contribution of Tirol is to Austria's overall balance of trade.

Not only does it account for about one-third of all the country's takings from tourism, but the industrial output — without ever seriously infringing on the landscape — is out of all proportion to the diminutive size of the province.

They are products that need more brain power than manpower.

A typical example is provided by Biochemie, a small plant at Kundl in the plain east of Innsbruck. This was the birthplace, in 1952, of oral penicillin and is one of the world's largest producers of antibiotics. A combination of sophisticated fermentation techniques and ultra-modern genetic engineering has en-

abled Biochemie to achieve the first industrial-scale biotechnological production of antiviral interferon. On a more mundane level, the company recently founded a joint subsidiary with Henkel Co. of Düsseldorf for the fermentation of detergent enzymes, one of the most promising developments in "environmentally friendly" washing powders.

(Continued on Next Page)

In the more conventional field of industry, two Austrian companies in the semiconducting sector cannot be overlooked: Steyr-Daimler-Puch and Andritz. S-D-P is the result of the fusion 50 years ago of



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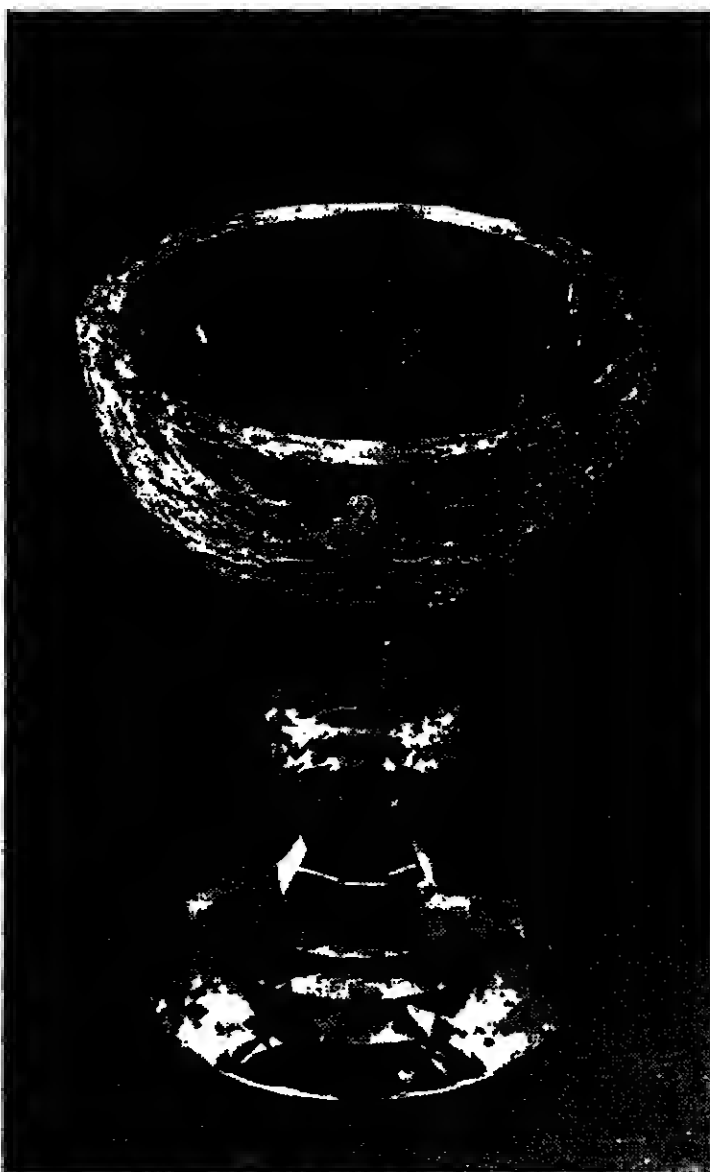


austria





A century separates these two styles of glasses by the Riedel dynasty of Tirol.



Swarovski chalice presented to Pope John Paul II.

Glassmaking Dynasties Faring Well in Modern Era

FAMILY TRADITION, coupled with modern technology, shines through the products of two Austrian manufacturers whose names were household words abroad before they became generally known here: Swarovski and Riedel.

Their ancestors came, in each case, from Bohemia, from the Jablonec area where there is a history of glassmaking going back to the Middle Ages. Both the families settled independently in Austria and built up a reputation for excellence in their respective fields, reflected nowadays in order books that are filled months, even years, in advance.

In 1895, Daniel Swarovski moved to Wattens in Tirol, where he found ample supplies of the cheap water power he needed for his glass-cutting enterprise. His decorative glass stones, made with a faceting machine he invented, were clearly superior to anything seen before. Further improvements in the basic material, coupled with imaginative development of new applications for the brilliantly polished crystal-like stones, enabled the company to survive two world wars and their aftermath.

Daniel Swarovski has expanded to a group of companies employing 6,000 people on four continents. Glass is still the focal point of production under the guidance of the family's fourth generation. Only within the last 20 years has Daniel Swarovski marketed finished products under the company's own name. Nowadays, one can find chandeliers of full-lead crystal from Tirol in the Kremlin and in the New York Metropolitan Opera. Swarovski's "Habicht" (Goshawk) binoculars, telescopic sights and telescopes (including the new shockproof, minitable SL type for marine use) are among the finest in the world. And travelers cannot avoid seeing (and usually cannot resist buying) the Silver Crystal line of souvenirs in the shape of paperweights, key holders and those delightful miniature animals that catch the eye in just about every airport duty-free gift shop.

Gift items have become a strong selling line with the other Austrian glassmaking dynasty, Riedel. The 10th generation of the family, represented by the designer Georg Riedel, has within the last couple of years experienced an amazing sales boom with hand-cut candlesticks, table lamps, flower vases, dishes and bowls. Once again the material is the finest lead

crystal, with the secret of success being the decision to supply exclusive models to individual top stores in New York, Chicago, Houston and London. The result has been that discerning American and British visitors to Austria seek to buy Riedel glassware on the spot. They soon find themselves entering into the realm of Riedel drinking glasses. These are the creation of a ninth-generation member, Claus J. Riedel, who set up his Tirolian glass works in Kufstein after World War II, following in the footsteps of ancestors who came to Austria in 1756.

There are more than 50 different ranges of C. J. R. glasses in the current catalogue. Their delicate stems and ultrafine bowls might mislead you into thinking they are fragile. In fact they are so tough that they are guaranteed to stand up to dishwasher treatment. And Mr. Riedel enjoys shocking new visitors by clinking glasses in a robust toast that rings round the 18th-century hall where he has his whole collection on show. For him there is an intricate philosophy enshrined in the shape of every single glass and the response it elicits from the drinker's taste buds and sense of smell.

— DAVID HERMES

Low Profits in State Industries

(Continued From Previous Page)

three companies in the weapons, automobile and motorcycle sectors, the oldest being Steyr, which dates from 1864 for the manufacture of army rifles. S-D-P has diversified to the extent that it makes both light tanks (Kürassier) and bicycles, not to mention mopeds, tractors, buses and forestry machines. It also turns out the highly successful Puch "G" all-terrain vehicle and other four-wheel-drive transporters such as the Pinzgauer.

Disastrously declining military sales have brought S-D-P into extreme financial difficulties, with

annual losses in the region of 1 billion schillings. The situation became so critical that earlier this month the management announced plans for drastically streamlining the operation. Four of the company's seven plants are to be closed altogether, the bicycle and moped section will be taken out of the group and the work force will be cut 10 percent to 13,000. The announced aim is to get the company back into balance by 1989 and resume paying dividends in 1990.

Andritz, which, like S-D-P, is a majority shareholder of the state-controlled Creditanstalt-Bankver-

ein, is a Graz-based machine works whose history can be traced back to 1852. It acquired an outstanding reputation throughout the former Danube monarchy for its foundry products. Andritz is a leading supplier of components for nuclear power stations and of turnkey industrial plants for a wide variety of purposes, from papermaking to steel rolling.

Among the latest additions to the Andritz services list is environmental engineering, with important new methods for disposing of industrial, radioactive and household waste.

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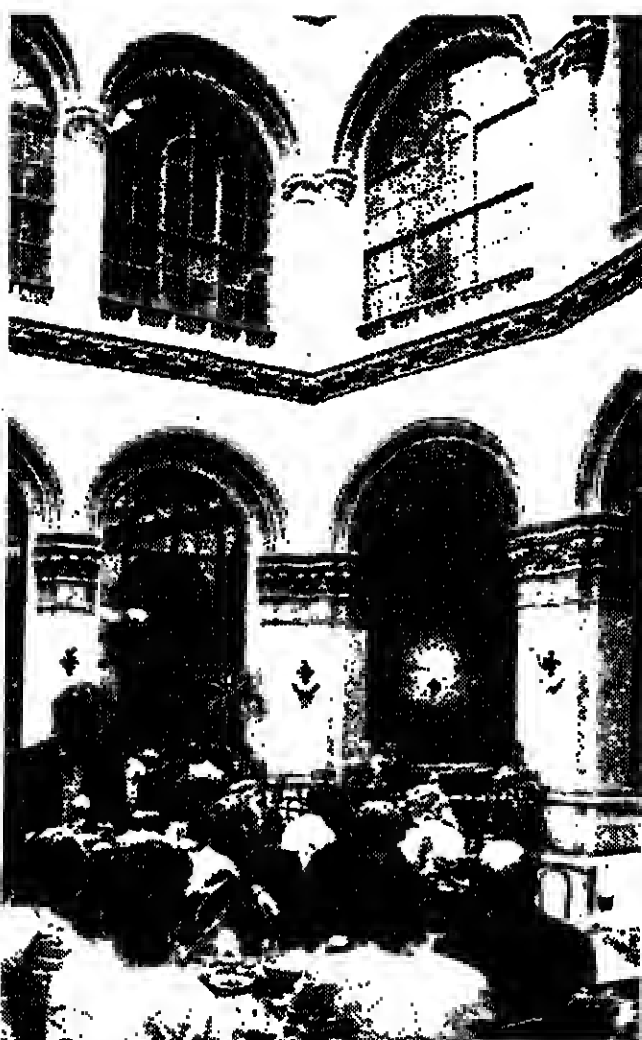
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| <p>D. Swarovski & Co. A-6112 Wattens/Tyrol P.O. Box 15</p> <p>Cut glass stones and pearls Imitation pearls »Strass« chandelier pendants Trimmings Genuine and synthetic jewelry stones »Swaroflex« reflectors Gift-, souvenir- and promotion articles of full-lead crystal »Swaromed« — ECG-electrodes</p> | <p>Swarovski Optik K. G. Absam A-6060 Hall / Tyrol</p> <p>HABICHT binoculars HABICHT telescopic sights HABICHT extendable telescopes Special optical instruments Special binoculars for navigation</p> | <p>SCHLEIFMITTELWERKE SWAROVSKI K. G. Tyrolit Schleifmittelwerke Swarovski K. G. A-6130 Schwaz/Tyrol</p> <p>Aluminium oxide and silicon carbide abrasive products Diamond and CBN abrasive products Elastic abrasive products</p> |



A SPECIAL REPORT ON AUSTRIA



A Viennese wine cellar.



The historic Cafe Central in Vienna has been carefully renovated.

A Buyer's Market in Gourmet Dining, Especially in Vienna

By Ann Dubsky

GOURMET dining in Austria is enjoying an upswing and the entire culinary scene is in a frenzy of activity. The 1984 Gault-Millau guide to Austrian restaurants tells only a small part of the story in awarding three toques each to Eschböck in Mondsee and Zöll in Bregenz; two each to the Prinz Eugen and Mattes in Vienna and Bacher in Mautern; and 48 other toques to almost as many restaurants.

"Steal the cook" is the gastronomic game of the year, and the continuing wave of new openings makes restaurant owners fear for their kitchen brigades. While prices tend to be steeper in the west and south of the country, they are still low by international standards, and competition in Vienna has created a buyer's market in good eating.

The new quality trend in Austria also extends to rural areas. One need only to be reminded of Ingrid Häupl in Attersee, who was one of the first to cook regional country dishes with a new flare. Lisl Wagner-Bacher, named 1983 Gault-Millau cook of the year, tends the stove in a country inn at Mautern in Lower Austria. Even natural foods have become haute cuisine in the hands of Werner Ullsch at the Schwarzer Adler in Innsbruck.

It took Austria longer than some European countries to shake off the gloomy postwar era, when all but a handful of its best restaurants were dishing up starchy mountains of food swimming in fat. Most of it tasted pretty good, but its main function was to fill stomachs that had been empty for too long.

No doubt influenced and encouraged by *nouvelle cuisine*, which liberated Frenchmen from food far too heavy for modern lifestyles, Austria developed its own kind of lighter cooking, with an emphasis on fresh products. Regional and classical Austrian cuisine got a new going over, baroque cookbooks proved a treasure trove of "new" recipes, and cooks and innkeepers were inspired to innovations on their own.

The early wave of creativity produced some of the most talented cooks. Eckart Witzigmann, hailed as the doyen of good eating in Germany and proudly pointed out as Germany's first three-star cook, is in fact an Austrian, as he demonstrates in his restaurant, *Aubergine* in Munich. He and Werner Matt of the Vienna Hilton's Prinz Eugen are the only non-Frenchmen named cook of the year by the Paris *Gastronomie Internationale*.

Mr. Matt's greatest impact on Austrian cuisine, however, may lie in his capacity as a teacher. Many of the country's top cooks are byproducts of his kitchen. About 100 leave his charge every year to spread the new gastronomic gospel after completing apprenticeship, a year's special training, one or more weeks' participation in a seminar or, as Mr. Matt admits with a mixture of pride and dismay, to accept more lucrative offers elsewhere.

Forecasting the Limits of Growth

An analysis of "The Future of Austria," initiated by Herman Kahn in 1983 and published this year under the auspices of the Hudson Strategy Group, contains some important indications about the past and present success of the Austrian economy. Following are excerpts from the report, which appeared as "The Anatomy of a Miracle."

"MANY FOREIGNERS tend to associate Austria with Gemütlichkeit, ski slopes, or perhaps Sachertorte, but not the stuff of which statistics are made. The fact is, in a world of chronic inflation, faltering production and alarming levels of joblessness, the Austrian record borders on the incredible....

"The Austrian scene since 1955 [the year of the State Treaty] has been one of astonishing social peace and political stability. The strikes which are so commonplace in such mature democratic societies as France, Great Britain, and the United States are virtually unknown in Austria."

In 1981, 1982 and 1983, for instance, the amount of time that an employee in Austria

was on average on strike amounted to only a few seconds, less than a minute over the whole period. "The reality of the Austrian miracle is beyond dispute."

In addition to "social partnership," a so-called "hard-currency policy" and the large size of the nationalized sector, "still another feature of Austria that may have worked in its favor is its modest dimensions. The total population of Austria is much less than that of New York City or Paris, and is roughly the same as Seoul. The national territory is somewhat smaller than Hungary or South Korea. The moderate size of the Austrian economy means that it can be much more easily "managed" than much larger economies like that of West Germany, not to mention the United States or the Soviet Union.

The Hudson Strategy Group's study examines some scenarios for the future. One of the "challenges of the eighties," it says, is the need for Austria to face up to the competition of large market economies by promoting innovation and, thus, anticipating market demand.

"Large countries often have military programs that encourage innovative research or other 'prestige' programs. Austria is not precluded from military research and development spending, but for many reasons, probably will not spend large sums for this purpose. Austrians may believe they are precluded from the massive spending necessary for other prestige projects, such as space programs, but the size of the project may not necessarily have anything to do with prestige. To summarize, we feel that Austria has a reasonably good chance of attaining further economic growth during this decade, but, if this occurs, we do not expect this project to match the pace of the past three decades. An essential explanation for this declining pace of expansion is the social limits to growth that seem inevitably to emerge as nations become more affluent. Affluence leads to changing values and less emphasis upon materialistic goals. Nevertheless, post-materialist values will probably prove less of an impediment to economic growth in Austria than in other comparable European countries."

In 1978, when a handful of farsighted Viennese organized a group of nine local restaurants interested in a higher, fresher style, Mr. Matt also lent his support. Karl Schumacher, Vienna's star pastry maker from Oberndorf-Kandl, also joined in and began to lighten up rich Viennese sweets to go with the new food. The first responses to the *Neue Wiener Küche* (New Viennese Cuisine) ranged from skeptical to hostile. Fortunately, the group displayed more creative imagination in devising new recipes than a name for itself and gradually began to amass a substantial body of admirers. Success has prompted current efforts to organize similar groups in other provinces.

New styles in eating have also created a new trend in wines. Although the fruity dry white wine remains the Austrian favorite, Günter Winter, who recently opened *Vinothek* in his Hauswirth restaurant, said the new white wines tend to be lighter, with higher acidity. Red wines, neglected until recently, are also coming into their own, he added, with better vineyards aging red wines slowly in oak barrels according to the classical method.

Michael Pronay, the sommelier at the Bristol Hotel's new Korso, promises to be an exceptional year for Austrian reds.

Mr. Winter and Mr. Pronay dispute the myth that Austrian wine neither age nor travel well, citing examples from their cellars of a fine 1964 Blauer Portugieser, rieslings from 1969 and 1973 and excellent Grüner Veltliner from 1971. As for travel-hardiness, Mr. Winter will be putting a selection of Austrian wines to the test in January when he will present Austrian food and wine to six major U.S. cities.

Good mineral water also contributes to a fine meal, and local per capita consumption in 1983 reached 57.5 liters, placing Austria fourth in Europe, after France, Belgium and West Germany. Although the summer's cool, wet weather affected sales markedly, the relationship is not expected to change. Mineral water has established itself as a beverage in Austria only within the last 10 to 15 years. At a time when Frenchmen were consuming 40 liters (10.4 gallons) a head, Austrians were still drinking mineral water for medicinal purposes only.



Wiener Schnitzel and salad are always on most Austrian menus.

Spot-on advice for business growth in Austria?

Arrange the eight dominoes within the square so that the spots in every row and column total 18, and the two main diagonals together add up to 36.



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Novel Products Attract International Buyers



The AKG K-1 headphones.



Marine binoculars from Swarovski.

AMONG novel products on the Austrian market that have attracted international attention within the last few months are:

AGRONET — A revolutionary technique for soil irrigation by means of electro-osmosis. This brings plants water from far below by maintaining an electric direct-current field between the Agronet nets (cathode) in the root zone and soil probes (anode) in the groundwater. Installation costs vary according to the porosity of the subsoil, but, once it is installed, the power consumption is negligible: 0.05 kilowatt per 1,000 square meter of soil area. Inquiries and orders have come from Abu Dhabi, Australia, Bahrain, Denmark, Kuwait, Mexico, Saudi Arabia and Turkey.

Patent held by Chemserv Consulting, Linz.

BIOSOL — Known as fungal mycelium, this creates green cover on ski runs, slag tips, motorway cuttings, etc., where normal fertilizers are inefficient and expensive. Biosol is a dried granular material (practically odorless) derived from the waste fermentation of antibiotics production. Costs (using helicopter spraying) are less than 4 schillings a square meter.

Produced by Biochemie, Kundl, Tyrol.

CARRERA VARIO — An eyeglass frame with an adjustable side-piece, which ensures a more comfortable fit depending on work or leisure environment, climate changes, etc. Length can be altered instantaneously by a discreet knurled screw. Price, depending on style: about 2,000 schillings.

Made by Carrera International, Trann.

K-1 — A real hi-fi headphone set (20 to 20,000 Hz, giving exceptional sound quality), which, because of its collapsible headband, literally fits into a breast pocket. Price, about 400 schillings.

Made by: AKG Acoustics, Vienna.

PARK MASTER — An electronic device using ultrasonic "feelers" mounted on the rear bumper of a car to inform the driver through an acoustic and optical dashboard indicator how near he is to the curb and the next car. The manufacturer says it costs "several thousand schillings" and is intended for fitting as initial equipment into large new cars and trucks.

Information from: VOEST-Alpine, Engerswitzerdorf.

PAYER ELECTRIC SHAVER — Claimed to be the world's first (main and rechargeable battery) shaver with titanium-plated double-head foil screen and cutter. Designed by Ferdinand Porsche. Billed as the most expensive shaver in the world at about 25,000 schillings.

Made and marketed exclusively by: Payer Elektroprodukte, Graz, Styria.

MILS ENCODER — the ultimate, uncrackable cipher machine using a random-generated code accessible only to the user. Custom-made for banks, industrial undertakings and "other specialists" for 700,000 schillings a unit.

Inquiries from Mils Elektronik, Mils, Tyrol.

— DAVID HERMGES

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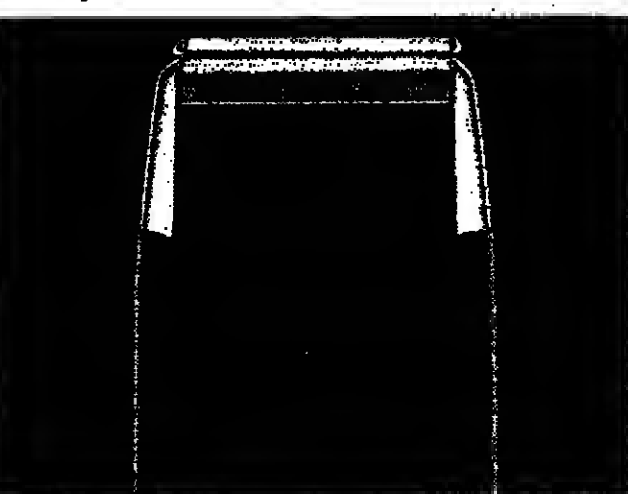
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The Payer electric shaver.

| Sales in | Net |
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[illegible]

For the Week Ending Oct. 26, 1984

[illegible]**For the Week Ending Oct. 26, 1984**[illegible]

Treasury Bills

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| 2.20 | 2.72 | 2.87 | |
| 2.30 | 2.47 | 2.62 | |
| 2.40 | 2.28 | 2.43 | |
| 2.50 | 2.09 | 2.16 | |
| 2.60 | 1.90 | 2.01 | |
| 2.70 | 1.71 | 1.85 | |
| 2.80 | 1.52 | 1.67 | |
| 2.90 | 1.33 | 1.48 | |
| 3.00 | 1.14 | 1.29 | |
| 3.10 | 0.95 | 1.10 | |
| 3.20 | 0.76 | 0.91 | |
| 3.30 | 0.57 | 0.72 | |
| 3.40 | 0.38 | 0.53 | |
| 3.50 | 0.19 | 0.34 | |
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Kreditlux Indices

| (Base 100 May 1, 1977) | |
|-------------------------------|--------|
| Industrial US 1 Y | 88.73 |
| Inst. Institutions US 3 & L Y | 93.80 |
| 1 Y medium term | 95.66 |
| Consolidated 3 medium term | 101.84 |
| US 3 medium term | 103.02 |
| DM | 102.56 |
| Goldster | 102.79 |
| 3 Y short term | 99.51 |
| Inst. Inst. F Low medium term | 104.38 |
| F Low medium term | 102.44 |
| Inst. Inst. F Long term | 103.71 |
| 3 Y short term | 101.87 |
| SCU long term | 103.80 |

SPORTS

Stabler, Unsure of Role With Saints, Suddenly Quits as NFL Quarterback

The Associated Press
NEW ORLEANS — Ken Stabler, one of the most accurate passers in National Football League history, has retired from professional football, effective immediately, the New Orleans Saints announced.

Stabler's agent, Phillip Henry Pitts, said Friday from Bay Minette, Alabama: "Under the circumstances, he thought it was best to retire."

Fans in New Orleans had been complaining that Stabler was not good enough this year. Stabler had been serving as understudy to Richard Todd this season and had completed just 33 of 70 pass attempts — a 47-percent average — for just two touchdowns. The three games in which he appeared were all losing efforts — at San Francisco, at home against the Los Angeles Rams and on the road at Dallas.

New Orleans opened the season with playoff expectations but had a 3-5 record going into Sunday's game at Cleveland, where third-year quarterback Dave Wilson was to serve as No. 2 behind Todd against the Browns.

Stabler, who will be 39 years old on Christmas Day, was quoted in local press reports as saying that he changed his mind about waiting until the season ended to retire after talking with the Saints' coach, Bum Phillips.

"I was unhappy with my contribution and unhappy where the



Ken Stabler

team was and the inevitability that I wasn't going to get the opportunity to do anything," Stabler was quoted as saying Saturday. "They are going to go with Richard and Dave. Bum told me that in two weeks they were going to make room for Brad Edelman and Gene Goodlow and that they would have to put somebody on injured reserve and I was going to be the guy."

"Before today, I always felt that if you keep plugging, something would happen; that you're going to get in there and get your shot. But they wrote me off. I'm aware of

that. So I just want to leave with class."

Stabler's fourth-quarter fumble last Sunday against Dallas produced the game-tying touchdown that sparked the Cowboys to a 30-27 overtime victory against the Saints. After the fumble, Stabler threw two interceptions in the final two minutes. He finished 2-for-9 for 34 yards.

But Pitts said Stabler's poor performance against the Cowboys had nothing to do with his decision to retire.

"No, when you get to his age, it always has to enter his mind," Pitts said. "I think he did everything he could to entertain and to produce a winner in New Orleans. I think they're going to have a winner."

Stabler finished his career with 2,270 completions in 3,793 attempts — nearly a 60-percent average — for 27,938 yards and 194 touchdowns. He led the American Football Conference in passing yards with 1,997 in 1973 and led the NFL in passing in 1976 with 2,737 yards and 27 touchdowns.

The Saints issued a brief statement quoting Phillips, who only the team's head coach and general manager but also one of Stabler's closest friends and advisers.

"He has been nothing but a credit to the game his entire career, on and off the field, and we hate to see him go," Phillips said. "He's always done what we asked him to do. He gave everything he had to help this team and every team he's ever played with to make them winners. We will miss his ability and his leadership. He's been good for this team."

"But he's more to me than just a player. He's my good friend. I'll miss him professionally, sure, but I'll also miss him personally."

Stabler's professional football career began when the Oakland Raiders drafted him in 1968 after an All-America national championship year at the University of Alabama. He spent 1968 on the Raiders' taxi squad and played in 1969 with the Spokane Shockers of the Continental Football League before finally making Oakland's final roster in 1970.

During a 10-year career with Oakland, Stabler guided the Raiders to a 32-14 decision over Minnesota in Super Bowl XI, played at the end of the 1976 season, the year in which he was named the NFL's most valuable player.

The Raiders traded him in 1980 to Houston, where Phillips was head coach at the time, and the Oilers reunited Stabler with Phillips in 1982 at New Orleans.

Last season, Stabler completed 176 of 311 passes for 1,983 yards as the Saints' 8-8 finish matched their best record ever.



Rodney McCray of the Houston Rockets scoring against the Dallas Mavericks in the opening NBA game for both clubs.

Jordan, Used as Decoy, Starts Slowly As Bulls Overcome Bullets, 109-93

United Press International
CHICAGO — Michael Jordan figures to be a lot of things to the Chicago Bulls this season, but on opening night, his best contribution was that of a decoy.

The highly-touted rookie from North Carolina and the U.S. Olympic team had what Coach Kevin Loughery labeled a "poor" game in Friday night's season opener against the Washington Bullets.

But with Washington concentrating on Jordan, Orlando Woolridge and Quintin Dailey responded to give the Bulls a 109-93 victory.

Elsewhere Friday, Boston defeated Detroit, 130-127; Philadelphia downed Cleveland, 111-101; Atlanta topped New Jersey, 119-104; Seattle beat Utah, 102-94; and Phoenix upended Golden State, 122-114.

On Saturday, it was Houston 121, Dallas 111; New York 137, Detroit 118; Philadelphia 131, Atlanta 108; New Jersey 131, Cleveland, 106; Portland 140, Kansas City 119; San Antonio 113, the Los Angeles Lakers 112; Washington 104, Indiana 102; Milwaukee 108, Chicago 106; Denver 125, Golden State 121; and the Los Angeles Clippers 103, Utah 94.

Jordan, last year's College Player of the Year and a leader on the U.S. team that won the gold medal, scored 16 points on Friday. But he was only 5 of 16 from the floor, and he made five turnovers.

"If they want to double up on

me, it's just going to free up the other guys," said Jordan, who received a standing ovation from the crowd of 13,913 when he was introduced. "If I can be a decoy, that is just fine with me."

Woolridge led all scorers with 28 points while Dailey added 25, including 12 in the final quarter when Chicago expanded a 78-74 lead into a rout.

"He's going to open up a lot of things for me," Dailey said. "I was able to come off the bench and get my shots. In that last quarter, they might have been on Michael a little more and it opened it up for me."

Woolridge, who also grabbed nine rebounds, said Jordan's presence was a big lift for the team.

"Look at the way the crowd was here and responded. Not only are we going to have less pressure on us to get all the offense like last year," Woolridge said, "but in a game like tonight, we can shake free for some baskets when they are concentrating on Jordan."

Loughery said that although Jordan had an off night shooting, he was able to make crisp passes and play a major role in a defense that helped hold the Bullets to 40 percent shooting from the floor.

"To be honest with you, it wasn't one of Michael's better games. He can play a lot better," Loughery said. "But he passed well and did a lot of other things for us."

The Bulls had a short scare when Jordan lay motionless midway through the second quarter, after trying to block a shot by Jeff Ruland.

"I was just checking to make sure all of the parts were working," said Jordan, who complained of a headache after the game.

Ruland, who scored 12 points, said that Jordan had run into him. "I didn't hear the whistle and I tried to catch him from falling," Ruland said. "I don't want to hurt anyone."

Washington had six players in double figures. Gus Williams, newly acquired from Seattle, and Frank Johnson paced the Bullets with 15 points each. They combined for 12 points in the third quarter, when the Bulls reduced a 70-53 deficit with 8:49 left to 78-74 at the start of the final quarter.

But Dailey hit three straight baskets and Jordan hit two free throws to increase Chicago's lead to 86-74 before Washington could score with 8:30 left in the game.

"The fact that they scored the first six baskets with layups and hit nine layups in the first period was important for them. That never happens to us," said Washington coach Gene Shue. "We tried to control tempo and transition last year but we didn't tonight."

Shue said the Bulls' 27-55 one year ago, have the makings of a good team. "No injuries and it looks like they can have an exciting year," he said.

Washington State Wins As Rushing Mark Is Set

United Press International
EUGENE, Oregon — A Canadian, Rueben Mayes, broke the single-game NCAA college football rushing record Saturday in leading Washington State to a 50-41 victory over Oregon. Elsewhere, field goal kickers helped Kansas to upset Oklahoma and Wisconsin to surprise Ohio State.

Mayes, a 206-pound junior from North Battleford, Saskatchewan, rushed for 357 yards and scored three touchdowns in Washington State's Pac-10 victory. The previous single-game rushing record, 356 yards, was set by Eddie Lee Ivey of Georgia Tech against Air Force in 1978.

Mayes, who scored five touchdowns against Stanford last week, also broke the Pac-10 rushing mark of 347 yards, set by Southern California's Ricky Bell against Washington State in 1976.

Mayes' touchdowns included a 69-yard run in the second period. He also had a 2-yard score in the first period and a 12-yard touchdown run in the final quarter.

Oregon (4-4), which had trailed 30-20 at the half, closed the gap to 30-26 in the third period and was within 47-41 in the final quarter. It took John Trout's third field goal of the game, a 39-yarder with 56 seconds left, to clinch the victory for Washington State (4-4).

Just before that, Mayes gained 4 yards on his last carry to put him one yard over the mark. "When they announced it on the loudspeaker, I just wanted to win," he said.

But he added, "It is just great to break the record."

Oregon coach Rich Brooks said the record was attributable in large part to his team's poor tackling. "Mayes had a great game. He's a fine back and made cuts at the right time," Brooks said. "But there's still no excuse for our shoddy tackling. He's a hell of a back, but we made him look a little bit better than he is."

Nebraska 62, Kansas St. 14. In Lincoln, Nebraska, quarterback Rich Brooks ran for two first-half touchdowns and passed for another as Nebraska trounced Kansas State, 62-14. Turner stalked the Cornhuskers (7-1) to a 48-7 halftime lead. The Wildcats' record dropped to 2-6.

Notre Dame 30, Louisiana St. 22. In Baton Rouge, Louisiana, Allen Pinkett rushed for two touchdowns and 163 yards in a school-record 44 carries as Notre Dame upset Louisiana State, 30-22.

Kansas 28, Oklahoma 11. In Lawrence, Kansas, Dodge Schwarzbach kicked field goals of 29, 19, 45 and 31 yards to help Kansas upset Oklahoma, 28-11.

The Jayhawks (3-5) held the Sooners (5-1) to an early field goal and a 1-yard touchdown run and two-point conversion late in the game, and blocked an Oklahoma punt for a safety.

Wisconsin 16, Ohio St. 14. In Madison, Wisconsin, freshman Todd Gregoire kicked field goals of 27, 35 and 34 yards to lift Wisconsin to a 16-14 upset over Ohio State. Wisconsin (5-3) also scored on a 34-yard touchdown pass from Mike Howard to Thad McFadden. Ohio State (6-2) fell out of a tie for the Big 10 conference lead with Iowa, which beat Indiana, 24-20. Keith Byars, the Buckeye runner who leads the nation in rushing, suffered a sprained ankle after gaining 141 yards on 25 carries.

Washington 28, Arizona 12. In Seattle, Jacques Robinson rushed for 125 yards and three touchdowns, including a 50-yard run on a draw play in the fourth quarter, and Steve Alford returned a fumble 22 yards for another score as Washington (8-0) defeated Arizona, 28-12. Three of 10 turnovers by Arizona (4-4) set up Washington touchdowns, while the Wildcats scored their two touchdowns on an interception and a fumble, two of nine Huskie turnovers.

Texas 13, Southern Methodist 7. In Austin, Texas, quarterback Todd Dodge withstood a strong rush to help Texas control the football early, and Texas held on to defeat Southern Methodist, 13-7. The Longhorns (5-0-1) preserved the victory by holding off SMU (4-2) twice in the last nine minutes, both times after the Cougars had advanced past the Texas 15.

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Tie by Marietta Ends One Streak, Extends Another

United Press International
MARIETTA, Ohio — Marietta College halted the nation's longest college football losing streak at 34 games Saturday, but extended the longest winless streak to 41 games with a 3-3 tie against Ohio Northern.

The Pioneers have not won since the third game of the 1980 season. After that victory, Marietta lost five straight, tied one game and then lost 34 in a row before tying on Saturday. In their last 41 games, the Pioneers are 0-39-2.

Marietta took a 3-0 lead Saturday on Wally Kaudel's 29-yard field goal, but Ohio Northern tied it with 14:49 left in the final period on Tom Kaplan's 41-yard field goal.

Marietta could not get beyond the Ohio Northern 40-yard line the rest of the way, and Kaudel never got a chance to try for a field goal that would have ended the winless streak.

2 Koreas Said to Discuss Moving Some Olympic Events to North

The Associated Press
LAUSANNE, Switzerland — North and South Korean sports officials are quietly considering a compromise that could open the way for Soviet-bloc participation in the 1988 Olympic Games, according to sources close to the International Olympic Committee.

The proposed compromise would involve moving at least some of the 23 sports events on the program from Seoul into North Korea. It would also include an agreement by North and South Korea to compete in the 1988 Games with a single team. Soviet and other East European sports officials have repeatedly hinted that they may boycott the 1988 Games because they do not have diplomatic relations with South Korea. Most of the Soviet bloc boycotted the 1978 world shooting championships in Seoul for the same reason.

The sources, who declined to be identified, said Friday that secret contacts were continuing between North and South Korean officials to reopen the stalled talks for a joint Korean Olympic team.

The idea of moving some Olympic events to North Korea was raised in these informal contacts, the sources said. It would provide a

face-saving device to allow the Soviet bloc to participate in the 1988 Games on the grounds they were being held in both Koreas, the sources added.

The suggested compromise would transfer some of the Seoul Olympic competitions to the North Korean capital, Pyongyang, or to another site north of the demilitarized zone dividing the two Koreas. The border lies 24 miles (39 kilometers) north of Seoul.

Inter-Korean talks for setting up a joint 1988 team broke down earlier this year, but Roh Tae Woo, president of the South Korean Olympic Committee, recently proposed that they be reopened.

The director of the IOC, Monique Berlioux, said that she had heard unofficially of the possible compromise but that no formal proposal has been submitted to the IOC.

Alexandru Siperco of Romania, the IOC's senior vice president and the only Soviet-bloc member of the IOC executive board, also said he had heard reports of the proposal.

"Any such move would have to be officially proposed by the Seoul Organizing Committee," Siperco said. In addition, Berlioux said any proposal allowing the Seoul Games

to spill into North Korean territory would require the IOC's formal approval.

A 1981 IOC session in Baden Baden, West Germany, selected Seoul as the site of the 1988 Games on a first secret ballot. Nagoya, Japan, was the only other candidate.

Berlioux said the minutes of the Baden Baden session, which was held behind closed doors, showed no strong move by the Soviet-bloc IOC members against the choice of Seoul. The Soviet bloc apparently recorded its objections merely by voting for Nagoya.

Meanwhile, Berlioux said that the refusal of three sports federations to reschedule events at the 1988 Olympics to suit U.S. television audiences could cost the IOC as much as \$500 million.

She said that the federations controlling track and field, swimming and gymnastics are refusing to hold the final events in the morning, Korean time, which would enable U.S. audiences to watch live coverage during prime viewing time.

A conference of all international sports federations met in Moscow last week and, by a large majority, adopted a resolution demanding that "the finals be held in late afternoon as usual."

The IOC president, Juan Antonio Samaranch, said afterward that the proposed schedule changes could affect the health of athletes and should not be changed "just for the money." He did not mention the amount of money involved.

Berlioux, however, said the IOC expected to receive between \$500 million and \$700 million for the Seoul television rights if the finals of major sports are held in the morning but that this income would drop to \$200 million to \$300 million if the usual late afternoon schedule is maintained.

All three U.S. major networks — ABC, NBC and CBS — are still in the bidding for the Seoul Games, Berlioux said. The negotiations are to be completed in talks with the three networks scheduled at IOC headquarters in Lausanne in January.

New Director for USOC
The U.S. Olympic Committee's executive board has named General George D. Miller, 54, to replace Colonel F. Don Miller as the committee's executive director. The New York Times reported from Orlando, Florida, General Miller, who will be paid \$150,000 a year, was the unanimous choice of the search committee that interviewed five finalists on Friday.

Orioles' Failure to Hit With 'Pawah' Boosts Confidence of Japan's Fans

By John Burgess
Washington Post Service
TOKYO — The question among all 33,000 fans Saturday at Korakuen Stadium seemed to be the same: Where is that famous American batting "pawah"?

Many Japanese followers of baseball believe that American major leaguers have the "pawah" to knock the ball out of the park practically at will. Bat on Saturday, the spectators watched the Baltimore Orioles pump out a feeble series of grounders, foul balls and easy pop flies in the first game of a three-week exhibition tour. Not one ball went over the fence.

"I want to see a home run," said an impatient Harumi Michikawa, who was getting her first look at pro ball, U.S. style.

The fans seemed disappointed with the action but delighted with the scoreboard's final reading, a 1-0 shutout for this year's Japanese champions, the Hiroshima Toyo Carp.

On Sunday, the fans got a slight-

ly improved look at U.S. "pawah," but not as much satisfaction from the final score. Todd Cruz's two solo home runs led the Orioles to a 5-3 victory over the Carp, in the second game of the Orioles' 15-game tour.

That result notwithstanding, the flames of baseball nationalism are burning in Japan, and a good showing against the Orioles would probably fan them. The exposure the Orioles' tour is providing has renewed hope here that the baseball world will finally learn what the Japanese have always known: that they play top-class ball.

"This is the first step toward a real, international world series," said the Japanese baseball commissioner, Takeo Shimoda. For years, the Japanese have complained about the use of World Series to designate the American major-league championship.

The real battle will come when the Orioles meet the Yomiuri Giants, who finished third this year, but who retain the largest fan fol-

lowing. Only about two-thirds of the seats at Saturday's game were filled; the games with the Giants are already nearly sold out.

Giants manager Sadaharu Oh, who as a player who hit 668 home runs, compared with Henry Aaron's U.S. career record of 755, viewed the visitors with deep respect. "We are going to learn more from them than they get from us," he said. "They are 75 years ahead of us."

On Saturday, the Carp scored in the second inning, then held the Orioles at bay for the remaining seven innings. Baltimore managed only six hits, the Japanese three. Carp pitcher Kazuhisa Kawaguchi struck out 10 of the Orioles.

Kawaguchi said he just let fly. He said he did not watch the Orioles practice the day before out of fear of being demoralized, he said. But what were his impressions of their big-time hitters?

"I don't know," he said, "they all looked alike to me."

SPORTS BRIEFS

Evert-Connors Defeated in Doubles

HOUSTON (UPI) — Kathy Rinaldi and Vince Van Patten defeated the top seeds and defending champions, Chris Evert Lloyd and Jimmy Connors, 4-6, 7-6, 6-4, Saturday night to advance to the final of the \$400,000 World Mixed Doubles championship.

Rinaldi and Van Patten were to play Betsy Nagelsen and Butch Walts in Sunday's final. Nagelsen and Walts defeated Zina Garrison and Sammy Giammalva, 7-5, 6-3, in the other semifinal Saturday.

In the quarterfinals Friday, Rinaldi and Van Patten, who were not seeded, defeated the third seeds, Carling Bassett and Eric Korita, 7-6 (8-6), 6-3. They won the first-set tiebreaker with five straight points.

In the other quarterfinals, Evert and Connors beat Gabriela Sabatini and Jose-Luis Clerc, 6-4, 6-1; Nagelsen and Walts defeated Billie Jean King and Peter Fleming, 3-6, 7-6 (7-3), 7-5; and Garrison and Giammalva eliminated Lisa Bonder and Ilie Nastase, 6-2, 6-1.

Hanika Wins Brighton Tournament
BRIGHTON, England (UPI) — Sylvia Hanika of West Germany produced a superb display of aggressive tennis Sunday to defeat the unseeded American Joanne Russell, 6-3, 1-6, 6-2, in the final of a \$175,000 tournament.

In Saturday's semifinals, Russell conceded 11 years but nothing else in outlasting Andrea Temesvari, the sixth-seeded Hungarian who upset Pam Shriver the day before. Hanika beat the talented French teenager Pascale Paradis, 7-6 (7-4), 6-2.

In Hong Kong, Andres Gomez of Ecuador defeated Tomas Smid of Czechoslovakia, 6-3, 6-2, in Sunday's final. More significant was the doubles final, in which Ken Flach and Robert Seguso, both 21-year-old Americans, hung on after losing a tie-breaker to best-seeded Australians Mark Edmondson and Paul MacNamee, 6-7 (5-7), 6-3, 7-5.

Brown Ahead in Pensacola Golf by 1
PENSACOLA, Florida (UPI) — Ken Brown, fighting to keep his tour card, fired a 2-under-par 69 in wind and rain Saturday to take a one-stroke lead after three rounds of play in the \$300,000 Pensacola Open golf tournament.

Brown, who has won little more than \$20,000 in his first year on the U.S. tour and needs a high finish to retain his tour card, was at 10-under-par 203 for three rounds of play over the par 71 Perdido Bay County Club course.

One shot back at 9-under-par 204 were Bill Kratzert, who had a 71, John Mahaffey, who had a 70, and rookie Joey Sindler, who had the best round of the day, a 66. Two shots back at 8-under-par 205 were Ralph Landrum, who shot a 73 after leading the tournament after each of the first two rounds, and Dan Edwards, who had a 71.

Wadkins Captures Rich Japan Title
NARITA, Japan (AP) — Lanny Wadkins of the United States fired a 63 Sunday to win the first World Championship of Golf and the \$81,633 first prize with a 14-under-par four-day total of 266 at the par-70 Oak Hills Country Club. He also received a \$12,245 luxury sports car from Nissan Motor Co. Ltd., co-sponsor of the \$489,800 tournament.

Chen Tze-min of Taiwan and Nick Price of Britain shared second place with 270s for \$42,858 each. Tom Watson of the United States and David Graham of Australia were fourth with 273s for \$26,535 each.

IAAF Sets 15 Grand Prix Track Meets
BRUSSELS (AP) — The International Amateur Athletics Federation will add a Grand Prix circuit of 15 track-and-field meets, a marathon World Cup and indoor World Games to its 1985 calendar.

The IAAF president, Primo Nebiolo, said at the IAAF conference here that athletes will use the 15 track-and-field meets to qualify for the finals in Rome on Sept. 7. The Grand Prix Circuit includes meets in San Jose, California (May 25), Eugene, Oregon (June 1), Moscow (June 8), Prague (June 22), Stockholm (July 2), Helsinki (July 4), Nice (July 16), Oslo (July 27), London (July 19 and Aug. 2), Budapest (Aug. 4), Zurich (Aug. 21), West Berlin (Aug. 23), Cologne (Aug. 25) and Brussels (Aug. 30).

Grand Prix Circuit prizes will be awarded to the national athletic federations and not the athletes, Nebiolo said. "The athletes will remain amateurs," he said. "But we are living in 1984 and have to adjust to that. We do not pay the athletes directly, but the federations. The latter can freely decide what to do with the money."

The IAAF also announced that the first indoor World Games will be held in Paris on Jan. 18-19. There will also be a marathon World Cup event for men and women in Hiroshima, Japan, on April 14 and 15.

Wings Beat Sabres, 7-3, Get 3 Empty-Net Goals

United Press International
DETROIT — Buffalo coach Scotty Bowman had nothing to say after Friday night's 7-3 loss to the Detroit Red Wings, in a penalty-filled game that was close until the Wings scored three empty-net goals in the final minute.

"He forgot to open the locker room door," an attendant said to reporters waiting outside for Bowman.

NHL FOCUS
man's postgame thoughts on the empty-net goals. Two of the last-minute goals were scored by Danny Gare, whom Bowman traded to Detroit.

In other games Friday, Edmonton thrashed Los Angeles, 8-2, and Toronto and Quebec tied, 2-2.

On Saturday, it was Boston 8, the New York Islanders 3; the New York Rangers 5, Quebec 2; Philadelphia 4, New Jersey 2; Pittsburgh 6, Montreal 5; Calgary 5, Toronto 3; Los Angeles 2, Winnipeg 2; Hartford 5, Minnesota 3; and Chicago 5, St. Louis 4.

The other coach in Friday's Red Wing-Sabre game, Nick Polano, seemed to be preoccupied by the memory of Darryl Sittler's scars from a penalty-filled game

Wednesday in Toronto. Sittler was sidelined with a broken cheekbone after receiving a fierce check from the Maple Leafs' Jim Korn Wednesday night.

"It wasn't the game plan," Polano said of the fighting with the Sabres. "You can't tell people to go out and fight. I just told them to stick up for each other. We didn't want to have happen what happened in Toronto."

Referee Ron Wicks handed out 79 minutes in penalties Friday. 43 of them in the first period. Buffalo's Mike Foligno and Detroit's Dave Williams were the first two combatants to go off. They were followed by Adam Creighton and Reed Larson two minutes later.

After a scramble in front of the Detroit net, Foligno jumped Williams and was given a 5-minute major penalty and a game misconduct for instigating the fight. Williams picked up two minutes for roughing.

With one minute left in the game, Bowman pulled goalie Tom Barasso. It was then that Bob Manno scored the first of the three Detroit empty-net goals, at 19:11. Five seconds later, Gare scored the second. He followed with a third at 19:45.



Larry Trader (2), a Red Wing defenseman, trying to get past the Buffalo Sabres' Mal Davis during Detroit's 7-3 victory.

Pizzalato Wins Marathon In Hot, Humid New York

United Press International
NEW YORK — Orlando Pizzalato, taking advantage of a weak field and the training he underwent in a recent heat wave in his native Italy, courageously held on Sunday to win the New York City Marathon.

Pizzalato, after crossing the finish line in 2 hours, 14 minutes, 52 seconds, knelt down and kissed the street, much as Rod Dixon had done when he rallied last year in the final yards to win this event.

In the women's race, meanwhile, Greta Waitz won her sixth New York marathon in 2:29:36. The 31-year-old Norwegian appeared to have some stomach problems early, but was able to overcome them and apparently decided to run at the front all the way — the way Joan Benoit beat her in the Olympic Marathon this year.

